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1989
Financial Condition
of
Medical Malpractice JUAs

Prepared for the National Coordinating Committee
on Medical Malpractice JUAs.

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Financial Condition
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Medical Malpractice JUAs

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the National Coordinating Committee on Medical Malpractice JUAs

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EXECUTIVE SUMMARY

The financial condition of the twelve active medical malpractice joint underwriting associations (JUA) is of continuing concern to the property/casualty insurance industry. These JUAs provide professional liability coverage for health care providers in Florida, Kansas, Massachusetts, Minnesota, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, Virginia, and Wisconsin. Based on their 1989 financial results, only three, Minnesota, Pennsylvania, and Virginia reported a statutory surplus. Florida, Kansas, and Texas each reported a zero dollar surplus. The other six reported statutory deficits ranging from six million to almost one-half billion dollars. In the six states with deficits, insurers can be assessed to cover the deficits, although to date no JUA, except Texas, has assessed insurers.

In 1985, the National Coordinating Committee on Medical Malpractice JUAs was reactivated. The Committee was originally created in the late 1970's to assist fledgling medical malpractice JUAs and was later deactivated. Upon reactivation, the Committee established the Financial Data Subcommittee to examine the financial condition of medical malpractice JUAs. The Subcommittee was specifically charged to collect data on the financial condition of each JUA and to issue a report accurately reflecting each JUA's financial condition. This is the fifth report. The earlier studies found that the invested assets of several JUAs were insufficient to pay all existing claim liabilities even after taking into consideration the investment income expected to be earned on those invested assets.

As with earlier studies, the amount of data supplied by the JUAs varied resulting in the analysis not being as thorough for some JUAs. The analysis for each JUA concentrates on assets, cash flow, statutory reserves, discounted reserves, and rate filing history.

The results of this study that are based on the discounted reserves need to be interpreted as conservative results because the discounted reserves are very sensitive to the assumptions behind the discounting. If the assumptions prove to be optimistic, JUAs appearing to have sufficient funds to pay claim liabilities may not, and JUAs appearing to have insufficient funds to pay claim liabilities will have even larger shortages.

Major Findings

- Two JUAs, Massachusetts and Rhode Island, are estimated to have insufficient funds to pay all existing claim liabilities even after taking into consideration the investment income to be earned on current assets.

	Deficiency in Millions		
JUA	1989	1988	1987
Massachusetts	$117.9	$185.4	$430.0
Rhode Island	42.5	66.1	74.0

The deficiency in Massachusetts decreased from $185.4 million to $117.9 million. The deficiency in Rhode Island decreased from $66.1 million to $42.5 million.

The deficiencies will increase if current reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold for less than full value in order to meet claim payment obligations.

- Nine other JUAs, Florida, Kansas, New Hampshire, New York, Pennsylvania, South Carolina, Texas, Virginia, and Wisconsin, appear to currently have sufficient funds to pay existing claim liabilities if future investment income expected to be earned on current funds is taken into consideration.

Surplus in Millions

JUA	1989	1988	1987
Florida	$10.0	$(10.5)	$(10.5)
Kansas	5.6	4.1	0.0
New Hampshire	12.7	4.9	(0.7)
New York	117.0	(223.8)	(224.8)
Pennsylvania	8.2	4.3	5.1
South Carolina	7.8	0.9	(4.8)
Texas	45.4	42.3	27.1
Virginia	1.8	5.1	N/A
Wisconsin	21.7	12.0	8.3

N/A – Not available

The Florida and New York JUA deficits were eliminated in 1989. The surpluses for all other JUAs increased during 1989 except for the Virginia JUA. The Virginia JUA surplus declined in 1989. Minnesota JUA figures are not shown because the JUA is too small to make a reliable estimate.

Deficiencies, however, could quickly develop for any of these JUAs if reserves are understated, current investment yields are not maintained, claims are paid sooner than expected, or if securities have to be sold at less than full value in order to pay claims.

- Over the last three years actual claim payments to claimants with injuries from 1986 and prior have been less than expected for six of the JUAs. For the other six JUAs, figures are unavailable.

Claim Payments in Millions

JUA	Actual	Expected
Florida	$31.2	$37.0
New York	76.3	163.9
Rhode Island	46.0	91.7
South Carolina	17.6	18.6
Texas	39.1	40.6
Wisconsin	41.9	44.5

- Based in part on actual payments having been lower than expected, several JUAs have reduced reserve estimates for prior years.

Reserve Reductions in Millions

JUA	1989	1988	1987
Florida	$12.3	$2.7	$1.0
Kansas	1.5	1.8	0.3
Massachusetts	254.8	N/A	N/A
New York	608.7	118.8	92.0
Rhode Island	26.7	22.5	12.1

N/A – Not available

- These findings show the volatility in the JUAs' financial results. The volatility makes it difficult to precisely quantify their financial condition. What can be concluded despite the volatility is:
  - The Massachusetts JUA financial condition appears to have stopped deteriorating but a large deficit continues to exist even after consideration of future investment income.
  - Significant reserve reevaluations on the part of the Florida and New York JUAs have resulted in current funds being sufficient to cover existing liabilities when future investment income is considered.
  - Rhode Island JUA's financial condition appears to be slowly improving but a large deficit continues to exist even after consideration of future investment income.

- The Kansas, New Hampshire, Pennsylvania, South Carolina, and Wisconsin financial conditions have improved.
- The Texas JUA is financially the strongest.

- A substantial change in the growth of medical malpractice costs seems to be one reason for the improvement seen in the JUA financial results. Medical malpractice costs nationwide grew 20% a year until the early to mid-eighties. They have grown 10% a year since. Lower claim frequency appears to be responsible for the cost reduction. The lower cost increases and declining frequency have been seen in many of the JUAs.

Additional Findings

Other findings include:

- Market Share – The market share for most JUAs did not change significantly between 1988 and 1989. Seven JUAs, Florida, Kansas, Minnesota, New York, Pennsylvania, Texas and Virginia act as true residual markets. The other five are essentially the only market for individual health care providers.

Market Share

JUA	1989	1988	1987
Florida	5.0%	5.0%	10.5%
Kansas	12.1	8.8	5.9
Massachusetts	87.5	87.6	84.5
Minnesota	0.4	0.4	N/A
New Hampshire	62.5	63.1	52.5
New York	18.7	20.0	14.3
Pennsylvania	2.1	3.3	3.4
Rhode Island	89.1	85.1	75.1
South Carolina	58.9	55.4	53.7
Texas	8.0	8.8	9.9
Virginia	2.0	3.3	N/A
Wisconsin	22.3	27.9	31.9

N/A – Not available

- Investment Yields. The investment yields changed little from 1988 to 1989. In some instances they were up slightly while in others they declined slightly.

Investment Yields

JUA	1989	1988	1987
Florida	8.3%	7.9%	8.4%
Kansas	7.7	5.3	5.2
Massachusetts	8.0	7.6	7.9
Minnesota	6.0	7.8	N/A
New Hampshire	8.4	8.8	7.3
New York	8.8	9.2	8.4
Pennsylvania	8.2	7.4	7.1
Rhode Island	8.8	8.0	7.6
South Carolina	8.0	8.0	7.9
Texas	8.3	8.1	8.2
Virginia	8.5	8.3	N/A
Wisconsin	7.8	7.8	7.1

N/A – Not available

- Cash Flow – Two JUAs reported negative cash flow in 1989 while the others continued to have positive cash flow.

Cash Flow
($ in Millions)

JUA	1989	1988	1987
Florida	$10.4	$9.6	$9.0
Kansas	0.9	0.5	(0.5)
Massachusetts	110.8	136.6	94.8
Minnesota	0.2	0.5	0.3
New Hampshire	14.9	10.6	8.4
New York	220.0	117.1	71.7
Pennsylvania	(1.3)	4.6	4.2
Rhode Island	22.2	22.0	15.7
South Caroiina	8.3	4.6	5.8
Texas	7.2	4.4	3.9
Virginia	(0.3)	2.8	1.9
Wisconsin	15.8	8.9	12.1

Introduction

In response to the medical malpractice crisis of the mid-1970's, many states enacted laws allowing the insurance commissioner to establish a joint underwriting association (JUA) if the commissioner deemed the JUA necessary in order to provide medical malpractice liability coverage for health care providers. Ten of the medical malpractice JUAs established in the late 1970's still offer coverage to health care providers. These JUAs exist in Florida, Kansas, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, South Carolina, Texas, and Wisconsin. The market shares for these JUAs range from 2% to almost 90%. Virginia, Minnesota, and Puerto Rico established or activated medical malpractice JUAs in 1985 and 1986. Although it is too early to analyze their financial condition with any precision, information on the Minnesota and Virginia JUAs are presented in this report.

When the National Coordinating Committee on Medical Malpractice JUAs was reactivated in 1985, one of its main concerns was the financial strength of the medical malpractice JUAs. All states except Kansas and Pennsylvania currently have provisions to assess insurers to cover unfunded JUA liabilities. A review of the JUA 1989 statutory results below illustrates the potential magnitude of the possible assessments. The deficits ranged from more than six million to one-half billion dollars.

In response to this concern, the Committee created the Financial Data Subcommittee charging it with the responsibility of collecting data on the financial condition of each medical malpractice JUA and issuing a report accurately reflecting each JUA's financial condition.

After reviewing existing public documents including annual statements and financial reports, the Subcommittee concluded that additional data was needed to fulfill its charge. To this end, the Subcommittee designed a survey to collect data regarding historical claim payments, anticipated reserve runoff, reserve development, claim detail, investment data, and rate filing history in addition to selected

Statutory Balance Sheet for Medical Malpractice JUAs ($ in thousands)

State	Statement Date	Assets	Liabilities	Statutory Surplus
Florida	12/89	$78,782	$78,782	$0
Kansas	6/89	10,020	10,020	0
Massachusetts	12/89	682,283	1,147,579	(465,296)
Minnesota	12/89	1,177	960	217
New Hampshire	12/89	70,855	108,229	(37,344)
New York	12/89	963,119	1,444,495	(481,376)
Pennsylvania	12/89	62,119	54,487	7,632
Rhode Island	12/89	135,156	285,173	(150,017)
South Carolina	6/89	42,797	48,971	(6,174)
Texas	12/89	141,843	141,843	0
Virginia	12/89	8,485	7,872	613
Wisconsin	12/89	106,275	117,970	(11,695)

annual statement data items. The form has been sent to each of ten JUAs on five different occasions. Minnesota and Virginia participated in the latest two efforts.

In this latest effort, nine JUAs, Florida, Massachusetts, Minnesota, New Hampshire, New York, Rhode Island, South Carolina, Texas, and Virginia completed and returned the entire questionnaire. For various reasons, two JUAs, Kansas and Pennsylvania, supplied only annual statement data. Wisconsin supplied annual statement data and some additional data. This report analyses the data from the fifth request and includes the exhibits from the prior year.

The analysis for each JUA concentrates on:

- Assets – including portfolio mix, investment quality, yield, and bond maturity.
- Cash Flow – including income and expenditure components.
- Statutory Reserve – including pending claim reserves (reserves for claims actually reported to the JUAs, but not yet settled) IBNR claim reserves (reserves for claims not yet reported to the JUA), loss adjustment expense reserves, pending claims, average pending claim size, and developed reserve as of the latest valuation date.
- Discounted Loss and Loss Adjustment Expense Reserves – including comparison to invested assets, and an estimate of when invested assets can be expected to be exhausted if (1) the discounted reserve is larger than the invested assets and (2) the JUA has no additional income. The latter assumption is not realistic for an ongoing JUA but is used to illustrate how long a JUA could pay claims before exhausting current assets if it stopped issuing policies as others have done in the past.
- Rate Filing History – including a comparison of requested rate changes to approved rate changes.

The most critical part of the analysis is the discounting of loss and loss adjustment expense reserves. Discounting provides an estimate of the current amount of funds which if invested will be sufficient to pay current liabilities as they become payable in the future. If the discounted value is less than current funds, all future payments can be expected to be made. If the discounted value is greater than current funds, funds can be expected to be exhausted before all claims are paid. In the latter case, insurers may have to provide the additional money to pay the claims.

Four critical assumptions are inherent to discounting. The discounting assumptions are:

- The total loss and loss adjustment expense reserve is adequate. This may be an optimistic assumption given that, at least until recently, initial reserves have proved to be inadequate. If current reserves are inadequate, the discounted value of the future payments is understated.
- The reserve runoff will occur as predicted. If claims are paid sooner than expected, the discounted reserve will be understated.
- The embedded yield (weighted average investment return) on the bond portfolio will be obtained throughout the runoff period. For most states the current embedded yields are 7%–8%. The bonds for most JUAs will mature before the funds are needed to pay

claims. The funds, therefore, will have to be reinvested. If the yields then available are less than current embedded yields, the JUAs will not be able to reinvest the funds at rates sufficiently high enough to maintain the current embedded yield. If the JUAs cannot maintain their current embedded yields, the discounted reserve will be understated.

- The JUA will be able to obtain full value for its bonds. For most JUAs, bond maturity is sooner than when liabilities are due. Over the next two or three years most JUAs should receive full value for their current bond holdings. If JUAs reinvest in securities that mature as liabilities fall due, they should receive the full value of their investments. If they reinvest at maturities beyond when liabiiities are due, they may have to sell securities at less than their full value. The discounting assumes bond maturity will match when liabilities are due.

Understated discounted reserves will have a negative impact on results. If a JUA appears to have sufficient funds to pay claim liabilities, the funds may not be sufficient if discounted reserves are understated. If a JUA appears to have insufficient funds to pay claim liabilities, the deficiency will be larger if discounted reserves are understated.

The discounted reserve is compared to invested assets in order to determine if assets on hand are sufficient to meet future payments on current claims. Other assets exist, usually premium balances and accrued interest which, when received, would be available for investment purposes or the payment of claims. Invested assets are used because they represent funds the JUAs actually hold.

The remainder of the report contains three sections. Immediately following is the detailed analysis of each JUA. This section contains a separate analysis of each JUA. The next section contains exhibits displaying the 1989 data referred to in the first section. Each exhibit contains data for all JUAs in order to facilitate comparisons. The last section contains exhibits from the fourth study displaying 1988 data.

Florida Medical Malpractice JUA

History

The Florida JUA was activated July 1, 1975. Members include all liability insurers, medical malpractice insurers, and certain self-insurers. The JUA was established to provide coverage for all health care providers. Occurrence and claims-made "tail" coverages are offered. The JUA currently has 5.0% of the medical malpractice market share based on premiums (Exhibit 1).

Funding and Deficit Provisions

Funds for the JUA come from 1) policyholder premiums, 2) policyholder assessments and 3) member assessments. If a deficit occurs, policyholders could be assessed up to one-third of their annual premium. Based on 1989 premium this assessment would be $6.3 million. If this assessment is not sufficient to cover the deficit, insurer members are assessed based on their total premium volume in the state. There is no provision for the insurers to recoup their assessment.

Balance Sheet

As of year-end 1989, the Florida JUA balance sheet showed assets and liabilities of $78.8 million resulting in no surplus. (See Exhibit 2). These figures are up almost 14% from 1988. The Florida JUA accounting procedures are unique in that the unearned premium reserve includes not only the traditional unearned premium reserve but also any refund due the policyholders or any deficit accrued by the JUA. As of year-end 1989 the unearned premium reserve was a negative $4.3 million. As a result, the JUA always has a surplus of zero. These accounting principles are approved by the insurance department.

Assets

Of the $78.8 million in assets, $75.3 million is invested. (See Exhibit 3). Of this amount, $71.4 million is invested in bonds while $0.8 million is in short term investments. The balance, $3.0 million, is held in cash. The bonds have an embedded (weighted average) yield of 8.3%, which is up from 7.9% in 1988. Most of the bonds, $41.5 million, are government bonds. Average bond maturity is 3.8 years. The balance of $29.9 million is non-governmental bonds. Of this amount all but $0.9 million is rated A or better. Premium balances, $2.0 million, and interest income due and accrued, $1.5 million, comprise the non-invested assets.

Cash Flow

In 1989, the Florida JUA had a $10.4 million positive cash flow (Exhibit 4) which was up from the $9.6 million in 1988. The increase is due to expenditures declining while income increased. JUA income totaled $23.5 million ($23.3 million in 1988) with $19.0 million from premiums ($19.2 million in 1988) and $4.5 million from investment income ($4.1 million in 1988). Expenditures were $13.1 million ($13.7 million in 1988) of which $7.6 million went for claim payments ($7.2 million in 1988), $3.5 million went for loss adjustment expenses ($4.7 million in 1988) and $2.0 million went for other expenses ($1.8 million in 1988).

Statutory Reserves

As of year-end 1989, the JUA reported loss and loss adjustment expense reserves of $82.4 million (Exhibit 5), down 14% from 1988. Of this amount $58.8 million was for claim reserves, and $23.6 million

was for loss adjustment expense reserves. Claim reserves are down 15%, while loss adjustment expenses are down 13%. The claim reserve is comprised of two segments – $21.2 million for pending claims (i.e., claims reported to the JUA that are not yet settled), $37.6 million is for IBNR claims (injuries that have occurred but which have not been reported to the JUA as of year-end 1989). The 1989 IBNR reserve is down 8% from 1988. The pending reserve is down 25% from 1988.

Reserve Development

In 1989, reserves for claims incurred prior to accident-year 1989 were decreased $16.0 million but this was the result of both increases and decreases to prior year reserves. (See Exhibit 7A). Reserves for accident-years prior to 1986 were increased almost $1.0 million. The reserves for accident-year ending 1986, 1987, and 1988 were decreased $17.0 million.

One possible reason for the decrease is that since 1986 actual loss and loss adjustment expenses paid have been less than expected. At year-end 1986, $37.0 million in loss and loss adjustment expenses were expected to be paid during the three year period 1987, 1988, and 1989 for claims which had occurred in 1986 and prior. During these three years, $31.2 million was actually paid or about 15% less than expected. (See Exhibit 8).

Accident-year reserve developments in Florida have fluctuated considerably ranging from $18.6 million too high to $13.7 million too low. A developed accident-year reserve is the accident-year reserve that would have been established at the end of the accident-year if what is known now about actual payments and current reserve estimates had been known at the time the accident-year reserve was established. The developed accident-year reserve is the sum of the payments since the end of the accident-year for claims incurred in the accident-year plus the current reserve on claims incurred in the accident-year.

For the first year, 1976, the developed reserve is estimated to be $7.4 million. The developed accident-year reserve fell for the next two years to $6.4 million and then rapidly increased over the next four years to $18.0 million in 1982. Subsequently, the developed accident-year reserve fell to $9.2 million in 1985, increased in 1986 to $11.2 million, and more than doubled to $24.6 million in 1988. In 1988, the developed accident-year reserve is estimated at $28.9 million. A detailed analysis of the number of claims, number of insureds, and the size of the claims for each of those years would be necessary in order to understand this substantial variation in the developed accident-year reserves.

Claim Payout

The time to pay half of the ultimate incurred losses (the total amount expected to be paid for any accident-year) in Florida remained unchanged in 1989 at 3.2 years. This is the shortest time to pay claims of any JUA offering occurrence policies. (See Exhibit 9). Up until 1987, the JUA expected all claims from any one accident-year to be paid within 10 years. In 1987, they changed this assumption and now expect all such claims to be paid within 12 years.

Discounted Reserves

With $75.3 million in invested assets and $96.1 million in outstanding claims, it would appear that the JUA does not have sufficient funds to meet its obligations. This does not, however, take into consid-

eration the investment income to be earned on the invested assets.

Assuming (1) the current reserve estimate is adequate, (2) the estimated runoff pattern is reasonably accurate, (3) investments will continue to earn their current rate, and (4) full value of the invested assets will be received if forced to sell before maturity, an estimate of how much has to be set aside today in order to meet those loss payments and loss adjustment expense payments can be made. The amount to set aside, or present value, is $65.3 million or $10.0 million less than the invested assets. (See Exhibit 10). It would appear, therefore, that if all the assumptions prove to be accurate, invested assets in the Florida JUA are sufficient to meet future payment obligations. This surplus is in contrast to the $10.3 million deficit estimated last year.

Rate Filings

Up until 1986, the Florida JUA had always received requested rate changes. (See Exhibit 12A). For the years 1979 and 1980, physician and surgeon rates decreased. Rates increased annually from 10% for 1981 to 77.6% for 1984. For 1985, the filed and approved rate increase was 46.4%. For 1986, a 94% increase was requested and approved for dentists. For 1987, a 20% increase was requested but only 10% was approved. For 1988, a 21% increase was requested and approved. For 1989, a 7% rate reduction was requested and approved. The rate filing history for hospitals and other facilities is similar to that for physicians. Rates decreased between 1978 and 1980 and then increased substantially. For 1987, a 57% increase was requested, but only 14% was approved. For 1988, a 98% increase was requested and 66.7% was approved in June. An additional 22% increase was approved in December. For 1989, a 19% increase was requested and approved.

Conclusion

The financial condition of the Florida JUA improved in 1989. Considering investment income, a $10.0 million surplus existed at year-end 1989. The surplus and the provision to assess policyholders provides a cushion of $16.3 million before insurers would be subject to assessment.

Kansas Medical Malpractice JUA

History

The Kansas JUA became operational July 1, 1976. Members include all liability insurers. The JUA was established to provide insurance to all health care providers in the state. Only claims-made coverage is offered. The JUA currently writes 12.1% of the medical malpractice market based on premium volume. (See Exhibit 1).

Funding and Deficit Provisions

Funding is from three sources: 1) policyholder premiums, 2) Health Care Stabilization Fund, and 3) taxpayers. If a deficit occurs in the JUA, the Health Care Stabilization Fund, financed through surcharges on health care provider annual medical malpractice premiums, is responsible for the deficit. If the Health Care Stabilization Fund cannot cover the deficit, the state general fund is to cover the deficiency. Any amount transferred from the state to the fund is supposed to be repaid. To date, the Stabilization Fund has had sufficient funds to meet the JUA deficit. This study did not collect financial information on the Stabilization Fund.

Balance Sheet

For the fiscal year ending June 30, 1989, the JUA reported assets of $10.0 million with an equal amount of liabilities. (See Exhibit 2). The JUA accounting practices report as an asset the money due from the Stabilization Fund in the case of a deficit. In the case of a surplus, the surplus is listed as a liability due the Stabilization Fund. As a result, the surplus is always zero. As of fiscal year-end 1989 the JUA owed the Stabilization Fund $1.6 million.

Assets

The JUA invests $9.7 million of the $10.0 million in assets. (See Exhibit 3). About $7.9 million is invested in short-term treasury notes with the balance of $1.8 million held in cash. The invested assets had a yield of 7.7%. The yield has been determined by dividing the investment income by invested assets because the JUA has no bond investments.

Cash Flow

Cash flow was a positive $0.9 million for the year ending June 30, 1989. (See Exhibit 4). Income from all sources amounted to $5.3 million with $4.7 million from premiums and $0.6 million from investment income. Expenditures amounted to $4.3 million of which $2.0 million went for paid claims, $0.6 million went for loss adjustment expenses, and $1.7 million went for operating expenses.

Statutory Reserves

The $4.9 million loss and loss adjustment expense reserve is comprised of $3.7 million for loss reserves and $1.2 million for loss adjustment expense reserves. (See Exhibit 5). The loss reserves, in turn, are comprised of $3.5 million for pending claims and $0.2 million for IBNR claims. The low IBNR value is due to the fact that the JUA only offers claims-made policies. The average reserve value is $31,400.

Pending Claims

Typically, under an occurrence policy, many medical malpractice claims are reported well after the time when the medical procedure responsible for the injury took place. Consequently, the number of pending claims for recent years is

usually less than the number of pending claims for earlier years. The highest number of pending claims is usually for the year three or four years prior to the current year. The number of pending claims for even earlier years usually declines steadily.

This description of the usual pending claim pattern does not hold for the 113 claims in Kansas. The number of pending claims is highest in the most recent year, 1989. The number of pending claims rapidly declines for earlier years, which is typical of claims-made policies. (See Exhibit 6).

Reserve Development

For nine of the twelve accident-years since inception, reserves are now estimated to have been redundant. (See Exhibit 7B). For accident years 1977-1979 and 1983, the original reserves are now estimated to have been between $200 and $400 thousand too high. For 1984, 1986, and 1988 the redundancy is estimated to range from $600 thousand to $900 thousand. For 1985 and 1987, the redundancy is estimated to range from $1.3 million to $1.4 million. Reserve deficiencies of $200 thousand are estimated to exist for accident-years 1980 and 1981. Despite the recent Kansas Supreme Court decision ruling medical malpractice tort reforms unconstitutional which could have an adverse impact on reserve developments, reserves for accident years prior to 1989 were reduced $1.5 million in 1989.

Claim Payout

Because only claims-made coverage is offered, the amount of time to pay half of the ultimate incurred losses is much shorter in Kansas than in other states, 1.4 years compared to as much as 9 years for occurrence coverage. (See Exhibit 9). Such a comparison, however, is somewhat misleading. With occurrence coverage, the time measured is from when the injury occurs while with claims-made coverage, the time is measured from when the injury is reported to the JUA.

Discounted Reserves

The discounted reserve calculated using the aforementioned runoff pattern and the invested asset yield of 7.7% is $4.1 million or $5.6 million less than the invested assets. (See Exhibit 10). This surplus is up from $4.1 million estimated last year.

Conclusion

As long as the Health Care Stabilization Fund continues to cover the JUA's deficit, the JUA should be able to meet its obligations. As presently structured, insurers are not subject to assessment even if the JUA and/or the Stabilization Fund should encounter financial difficulty.

Massachusetts Medical Malpractice JUA

History

The Massachusetts JUA became operational June 19, 1975. Membership includes all personal liability insurers, including motor vehicle insurers and multiple-peril writers. The JUA offers coverage to all physicians, hospitals, and other health care providers. Both occurrence and claims-made coverage are offered with two-thirds being occurrence and one-third being claims-made. The JUA wrote 87.5% of the medical malpractice coverage in the state in 1989 (Exhibit 1), unchanged from 1988.

Funding and Deficit Provisions

Funding is provided from policyholder premiums and member assessments. If a deficit occurs in the JUA, a pro-rata assessment based on total member premiums, up to a maximum of 1% of the insurer's surplus, can be assessed. A recoupment provision provides that insureds covered by any medical malpractice liability policy issued in the state can be assessed or can have their premiums increased in order to reimburse insurers for their JUA assessment.

Balance Sheet

As of year-end 1989, the Massachusetts JUA reported assets of $682 million and liabilities of $1.147 billion, resulting in a deficit of $465 million. (See Exhibit 2). Assets increased 19% from 1988 while liabilities decreased 5%. The deficit decreased $58 million during 1989.

Assets

Of the $682.2 million in assets, $619.7 million is invested. (See Exhibit 3). More than $600.8 million is invested in bonds, $17.3 million is invested in short-term securities, and $1.4 million is held in cash. Almost 80% of the bonds are government bonds, and 90% of all bonds are rated A or better. Non-invested assets amount to $62.5 million of which $46.4 million is in premium balances and $16.1 due mostly from interest income accrued. The large amount in premium balances is due to difficulties in collecting the rate increases on policies written from 1983 to 1986. Bond maturity averages 12.6 years. The overall investment yield (investment income divided by invested assets) is 8.0%.

Cash Flow

Cash flow (Exhibit 4) decreased slightly in 1989 after increasing substantially in 1988. In 1989, cash flow was $110.8 million compared to $136.6 million in 1988. Total income in 1989 was unchanged from 1988 at $231 million. Premium income was down slightly from $188.5 million in 1988 to $179.6 million in 1989. Income from investments was up $9.5 million from $39.1 million in 1988 to $48.6 million in 1989. Expenditures were up $25.8 million in 1989 compared to 1988. In 1989, expenditures amounted to $120.2 million of which $78.6 million went for claim payments, $19.1 million went for loss adjustment expenses, and $22.5 million went for operating expenses. Corresponding 1988 figures were lower, claim payments $61.1 million, loss adjustment expense $17.2 million, operating expense $16.1 million. The 1989 operating expenses include $6.8 million in federal income taxes paid in 1989 and accounts for the large increase in operating expenses between 1988 and 1989. The

income tax liability was due to the large operating profit reported in 1988 due to claim reserves being substantially reduced. For 1989, the cash flow does not take into consideration $1.2 million in net realized capital gains. The Massachusetts JUA was the only JUA, except for New York, to have realized capital gains of more than a few hundred thousand dollars. Realized capital gains are not reflected in this cash flow analysis because they are one-time occurrences and cannot be relied upon from year to year. For instance, net realized capital gains were $18.7 million in 1986, $3.0 million in 1987, and negative $1.3 million in 1988.

Statutory Reserves

The JUA reports $1.1 billion in loss and loss adjustment expense reserves as of year-end 1989. (See Exhibit 5). Of this amount, $754.6 million is for loss reserves, and $295.9 million is for loss adjustment expense reserves. Loss reserves are up 4% from 1988, while loss adjustment expense reserves are up 7%. The loss reserves are comprised of $355.6 million for pending claims and $399.0 million for IBNR claims. The reserve for pending claims is down 7% while the reserve for IBNR claims is up 15%. The average pending claim value is $89,700.

Pending Claims

The Massachusetts JUA has the largest number of pending claims, 3,966. Because the JUA sells claims-made coverage as well as occurrence coverage, many claims are from recent accident years. The JUA still has 138 claims covered by occurrence policies issued prior to 1980. (See Exhibit 6).

Reserve Development

For years prior to 1983 the original accident-year reserves have proven to have been substantially understated. (See Exhibit 7C). In two years, 1980 and 1982, the original reserves were less than half what they should have been. Since 1983 reserve developments indicate that the original estimates were larger than what is now estimated. While the current estimates are lower, the JUA still has, on a statutory basis, a deficit of almost one-half billion dollars.

Discounted Reserves

The $465.3 million statutory deficit does not take into consideration investment income that will be earned on currently invested assets. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the amount of money needed at year-end 1989 to meet future claim payments is $619.7 million. (See Exhibit 10). This is $117.9 million more than currently invested assets. With this shortage, invested assets would be depleted sometime during 1997, leaving $259 million in unpaid liabilities. (See Exhibit 11). As long as cash flow remains positive, however, the assets will not be depleted.

Rate Filings

Prior to 1983, the JUA received 3 rate increases, 7.3% for 1977, 10% for 1980, and 9.1% for 1982. (See Exhibit 12B). For 1983, the JUA requested a 162% increase and received approval for 42%, which was appealed. Subsequently, the JUA refiled for a 188% increase for 1983 and also

filed for a 41.6% increase for 1984. In June 1986, the JUA received approval for a 68.1% increase for 1983 and 10.9% for 1984. These increases are to be collected over a 5 year period which began in July 1987. The JUA filed for a 71.6% increase for 1985 and received approval for 23.6% in March 1987, also to be collected over a five year period. For 1986, the JUA requested a 10.3% increase and received approval for 8.7% in March 1987. Also in March 1987, the JUA received a 6.5% rate increase for 1987 rates after requesting 10.0%. For 1988, the requested 8.6% rate increase was denied. For 1989, the JUA requested a 44% increase and received approval for 8.6%.

Conclusion

Even considering future investment income and lower claim reserves, the Massachusetts JUA has a deficit of at least $117.9 million. Sooner or later this unfunded liability will have to be paid. If the JUA is unable to raise this money from policyholders, the members of the JUA could be assessed millions of dollars. Whether rate increases can be implemented to allow insurers to recoup the assessments is yet to be determined.

Minnesota Medical Malpractice JUA

History

The Minnesota JUA was authorized in 1976 but was not activated until late in 1985. Members include all insurers authorized to write personal injury liability insurance in Minnesota. The JUA was established to provide medical malpractice coverage for all health care providers. While the JUA initially issued a few occurrence policies, only claims-made policies are currently issued. In 1989, the JUA wrote less than 1% of the medical malpractice insurance in the state based on premiums. (See Exhibit 1).

Funding and Deficit Provisions

Funds for the JUA come from (1) policyholder premiums, (2) the Stabilization Reserve Fund, and (3) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on policyholder premiums. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. If those funds are insufficient, members of the JUA can be assessed. Insurers may recoup any assessment by means of either a 2% surcharge on the annual premiums on future policies offering the kinds of coverage which provide the basis for the members' participation in the association, or through a premium tax offset.

Balance Sheet

At year-end 1989, the Minnesota JUA reports assets of $1.2 million and liabilities of $1.0 million for a surplus of $0.2 million. (See Exhibit 2). The Minnesota JUA is the smallest of all the currently active JUAs.

Assets

Almost all of the assets are invested. (See Exhibit 3). The JUA has not invested in any securities, rather $800,000 is held in cash. The remaining $400,000 in assets is from the Stabilization Reserve Fund.

Cash Flow

Cash flow in 1989 was a positive $225,000. (See Exhibit 4). Premium amounted to $288,000, investment income $48,000. Expenditures were $111,000 of which $72,000 went for operating expenses, $14,000 for claims, and $25,000 for loss adjustment expenses.

Statutory Reserves

Loss and loss adjustment expense reserves amount to $465,000. (See Exhibit 5). Loss adjustment expense reserves are included with the loss reserves and, therefore, no breakout of this component is available. Pending reserves amount to $42,000 while the IBNR reserve is $423,000.

Pending Claims

At year-end 1989, the Minnesota JUA hand three pending claims. (See Exhibit 6). Two date from 1987 and one from 1988. The average value for these claims is $14,000.

Reserve Development

No reserve development is possible since the JUA has had so few claims and payments.

Rate Filings

Initial rates for the JUA were set slightly higher than those in the private market.

Conclusion

The Minnesota JUA has not been in existence long enough nor is it large enough to determine its financial condition. If just one of the pending claims settles for more than $1.0 million, however, the JUA will not have the funds to pay it. The JUA appears to be operating as a residual market given the low market share.

New Hampshire Medical Malpractice JUA

History

The New Hampshire Medical Malpractice JUA began operating October 1, 1975. Members include all liability insurers in New Hampshire. The JUA was established to provide liability coverage for physicians, hospitals, and other health care providers. Occurrence policies have been offered since the beginning and claims-made since 1986. In 1989, the JUA wrote an estimated 62.5% of the medical malpractice market based on premium volume. (See Exhibit 1). The market share is down slightly from 1988. The JUA underwrites almost all the medical doctors but few hospitals and other health care providers.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) member assessments, (3) policyholder surcharges, and (4) a Stabilization Reserve Fund.

Legislation, effective in 1986, altered the funding mechanism for covering JUA deficits. The legislation established two funding mechanisms, one for deficits from business written after January 1, 1986, and another for deficits on business written prior to January 1, 1986.

For deficits on business written after January 1, 1986, members will be assessed based on the percentage of premium they write in the state. The companies, however, may be reimbursed under one of two plans approved by the commissioner. One plan allows insurers to surcharge all health care providers up to a maximum of 100% of their premium for each policy year. In the event the assessment is greater than $10,000, the payment may be applied over a period of up to three years. The second option would allow insurers to surcharge future liability insurance policies which form the basis of the member's participation in the JUA provided that the surcharge does not exceed 3% of the premium per year. When the Insurance Commissioner attempted to implement the second option in 1987, a lawsuit was brought challenging implementation. The issue is currently being litigated.

A Stabilization Reserve Fund is created for deficits prior to January 1, 1986. Initial funding for the Stabilization Reserve Fund comes from a surcharge of 15% on the annual gross premium charged for primary medical liability coverage. If the Stabilization Reserve Fund reserve is not sufficient to cover the deficit, the commissioner shall impose a surcharge not to exceed 2% of the annual premium on policies issued or delivered in the state for the lines of business which form the basis for the insurer's participation in the JUA.

Balance Sheet

As of year-end 1988, the JUA reported assets of $70.9 million, liabilities of $108.2 million with a resulting deficit of $37.3 million. (See Exhibit 2). Assets are up 28% from 1988. Liabilities are up 26% compared to 1988 resulting in the deficit increasing $7.0 million from 1988.

Assets

Of the $70.9 million in assets, the JUA invested $65.2 million. (See Exhibit 3). The investments include $63.0 million in bonds. Over $34.5 million of the bonds are government bonds and the other bonds are rate A or better. The remaining $2.2 million is held in cash. Of the $5.6 million not invested, $2.8 million is in premium

balances and $2.8 million in other non-invested assets mainly accrued interest and monies due from the Stabilization Reserve Fund. The embedded yield on invested assets is 8.4%. The average maturity for bonds is 4.3 years.

Cash Flow

In 1989, the cash flow was a positive $14.9 million (Exhibit 4) up from $10.6 million in 1988. Total income amounted to $24.0 million with $18.8 million from premiums and $5.1 million from investment income. Total expenditures were $9.1 million of which $5.1 million went for claim payments, $2.4 million went for loss adjustment expense payments, and $1.7 million went for operating expenses. The $1.9 million increase from 1988 in income combined with the $2.4 million decrease from 1988 in expenditures resulted in 1989 cash flow increasing $4.3 million.

Statutory Reserves

Of the $108.2 million in liabilities, $95.2 million is for loss and loss adjustment expense reserves. (See Exhibit 5). Loss reserves amounted to $71.2 million while loss adjustment expense reserves amounted to $24.0 million. Loss reserves are up 29% from 1988 while loss adjustment expense reserves are up 45% from 1988. The loss reserves are comprised of $10.0 million for pending claims and $61.2 million for IBNR claims. For the 306 pending claims the average value is $32,600.

Pending Claims

At year-end 1989, the New Hampshire JUA had 306 pending claims (Exhibit 6) down 20% from 782 pending at year-end 1988. The largest number of claims pending, 53, are pending from 1986 and reflect the 1986 introduction of claims-made policies.

Reserve Development

The JUA changed its procedures for analyzing experience to a policy-year basis from an accident-year basis. This change does not allow for continuing accident-year reserve developments.

Claim Payout

The amount of time to pay one-half the ultimate incurred losses is 5.5 years based on data supplied last year. (See Exhibit 9). In 1989, the JUA changed its estimate of how long it will take to ultimately pay all claims for any one policy-year to 20 years. This change does not materially affect the time to pay one-half the ultimate incurred loss.

Discounted Reserves

The $37.3 million statutory deficit does not take into consideration investment income to be earn in the future on existing assets. Assuming (1) current reserves are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value will be received for invested assets if they are sold, $63.2 million would be needed in order to make those payments. (See Exhibit 10). With $75.9 million in available funds including the Stabilization Reserve Fund monies, the JUA appears to have sufficient funds to meet those payments.

Rate Filings

Since inception, the JUA has filed for several rate increases and has received timely approval in every case except for 1986. (See Exhibit 12C). Rates have

grown substantially for all insureds since 1980. For physicians and surgeons, rates increased 45% for 1980, 50% for 1981, 70% for 1982, 30% for 1983, with a more moderate increase for 1984. For 1986, the JUA filed a 9.3% increase, but the request was refused. For 1987, 12.2% was filed and approved. For 1988, 8.9% was filed and approved. For 1989, no rate filing was made.

Conclusion

With partial success in recent actions taken to address deficit problems and considering future investment income, the JUA has sufficient funds to meet its obligations, If the JUA is ultimately successful in its efforts to reduce the deficit on policies written prior to 1986 through assessments, insurers may not be responsible for that deficit.

New York Medical Malpractice JUA

History

The New York Medical Malpractice JUA was activated June 18, 1975. Members include all insurers writing personal liability and multi-peril policies. The JUA offers occurrence coverage and since 1986 claims-made coverage to physicians and hospitals. The JUA provides both basic limits and excess limits. The JUA estimates basic limits premiums account for about 10% of all premiums written by the JUA and excess limits premiums account for 90%. The JUA wrote 18.7% of the medical malpractice premiums in the state in 1989 (Exhibit 1), which is down from the 20.0% share in 1988.

Funding and Deficit Provisions

Three sources provide funds: (1) policyholder premiums, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by a 20% surcharge on the insured's medical malpractice premiums for primary coverage. If the JUA sustains a deficit, the Stabilization Reserve Fund is to cover the deficit. If a deficit exists after consideration of the Stabilization Reserve Fund contribution, JUA members can be assessed in proportion to their premiums. The assessment can be subsequently recouped from the Stabilization Reserve Fund if those funds are replenished. At year-end 1989, the Stabilization Reserve Fund had a balance of $11.2 million.

Balance Sheet

As of year-end 1989, the New York JUA balance sheet shows assets, including Stabilization Reserve Fund assets, of $963 million and liabilities of $1.444 billion for a deficit of $481 billion. (See Exhibit 2). The deficit decreased $522 million because assets increased $235 million, while liabilities decreased $287 million. Liabilities decreased because loss reserves and loss adjustment expense reserves for accident-years prior to 1989 were reduced by over $608 million in 1989. (See Reserve Development below).

Assets

Of the total assets, $812.8 million is invested. (See Exhibit 3). Bonds constitute the largest investment, $740.2 million. Almost 70% of the bonds are government bonds, over 90% of all bands are rated A or better. The embedded yield decreased from 9.2% in 1988 to 8.8% in 1989. The average term to maturity of all bonds is 20.5 years. Short-term investments amount to $72.4 million while $0.3 million is held in cash. Non-invested assets amount to $150.3 million of which $136.7 million is in premium balances. Almost all of this amount is for excess limits coverage provided, but collecting the premium was slow during 1989, and a substantial amount was still outstanding late in 1989. Of the remaining non-invested assets, most is in interest income due and accrued.

Cash Flow

Cash flow in 1989 was a positive $220.0 million (Exhibit 4), up $102.9 million from 1988. Premium income was up $102.8 million from $61.1 million in 1988 to $203.6 million due to collecting a large amount of the uncollected premium at year-end 1988. Investment income was up $9.7 million from $43.9 million in 1988 to $53.6. Other income decreased from $4.0 million in 1988 to $2.9 million in 1989. The total cash income, excluding

capital gains was $260.1 million. Expenditures amounted to $40.1 million, up from $31.5 million in 1988. Paid claims amounted to $16.9 million, down from $20.1 million in 1988, with loss adjustment expenses of $9.4 million, down from $9.7 million in 1988. Other expenses were up from $1.7 million in 1988 to $13.8 million in 1989. The 1989 other expense figure includes $7.9 million paid in federal income taxes due to operating profits generated when loss reserves were reduced.

Statutory Reserves

As of year-end 1989, the JUA reported loss and loss adjustment expense reserves of $1.3 billion (Exhibit 5), a 19% decrease from 1988. Of this amount, $1.1 billion is for loss reserves (down 15% from 1988), and $271.4 million is for loss adjustment expenses (down 30% from 1988). The loss reserve is comprised of $167.1 million for pending claims, which is essentially unchanged from year-end 1988. All of the loss reserve decrease is in IBNR which decreased from $1.1 billion in 1988 to $894.7 million in 1989.

Pending Claims

The 2,149 pending claims are up from the 1,944 at year-end 1988. The average reserve value of $77,700 is down from the $85,400 at year-end 1988. Almost half of the pending claims are for losses which occurred in 1985 and prior. (See Exhibit 6). The large number of pending claims for the earlier years is indicative of the long time to settle cases in New York.

Reserve Development

The loss reserves for accident-years 1988 and prior were reduced $608.7 million in 1989. (See Exhibit 7D). Despite this reduction, the original reserves for accident-years 1975 to 1979 are still thought to have been substantially under-reserved. In the first half year of operation in 1975, the original reserve was estimated to be $8.1 million, and today it appears that it should have been set at $24.5 million. The 1976 accident-year reserve was originally estimated at $44.0 million but now it is estimated it should have been set at $65.3 million. Between 1977 and 1981 the original accident-year reserves ranged from a low of $13.6 million in 1977 to a high of $49.1 million in 1981. It now appears as if all of those reserves should have been set somewhere between $40 million and $48 million. For the more recent accident-years, reserves are now estimated to have been more than adequate. The reserve pattern for 1983, 1984, and 1985 is unusual, in that on a developed basis, they are $34.5, $20.7, and $65.5 million, respectively. The large increase in the 1985 accident-year reserve is due to the addition of excess liability coverage. The excess liability coverage also explains the larger reserves for 1986, 1987 and 1988.

One reason for the reserve reduction is that for the last three years actual total claim payments have been less than expected. At year-end 1986, the JUA expected to pay $163.9 million during 1987, 1988, and 1989 for claims that had occurred in 1986 and prior years. (See Exhibit 8). During these three years, only $76.3 million was paid or 46.6% of the expected.

Claim Payout

New York medical malpractice claims continue to have the longest anticipated runoff period. (See Exhibit 9). In 1989, the amount of time estimated to pay one-half the claim payments is 8.8 years. By comparison, after nine years over 85% of

the claim payments are expected to have been made in Florida, South Carolina and Texas.

Discounted Reserves

The $481.4 million deficit does not take into consideration the investment income that will be earned on currently invested assets. The long time it takes for New York claims to runoff, however, provides a considerable length of time in which to earn investment income. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) the invested assets will continue to earn at their current embedded yield, and (4) asset maturity will match liabilities, the present value of those future payments is $695.8 million. (See Exhibit 10). This is $117.0 million less than the invested assets of $812.8 million. The New York JUA appears to have sufficient assets along with future investment income to meet its liabilities due to the substantial decrease in loss reserves.

Rate Filings

The New York JUA has had an extremely difficult time receiving approval for requested rate increases. (See Exhibit 12D). For 1986, a 135% rate increase was requested, and a 9% rate increase approved. The JUA brought suit against the New York Insurance Department challenging the level of the rate increase approved. The court ruled against the Department saying the JUA was entitled to an actuarially sound rate. While the Department was analyzing the claim experience to determine an actuarially sound rate, the improved reserve development was noted. The Department and JUA agreed to 9% increases for 1986 and 1987. With continued favorable reserve development, the Department approved a 5% increase for 1988 instead of the 77% requested by the JUA. Despite the improvement, the JUA believed a 24% rate increase was warranted in 1989, but the Department approved a 5% decrease.

The rate filing for 1986 was not the first to be disapproved by the Department. No requested rate increase has ever been approved. During the period 1977 to 1985, the JUA has requested a rate increase for each year. For 1977, a 90% rate increase was requested, and a 15.5% rate increase was approved. Rate increases for 1978 through 1980 of 98%, 104%, and 186%, respectively, were all disapproved. For 1981, a 210% rate increase was requested, and a 58.5% rate increase was approved. For 1982, a 243% rate increase was requested, and a 15% rate increase was granted. For 1983, a 180% rate increase was requested, and a 83.3% increase was approved but not until January of 1985. For 1984, a 62% rate increase was requested, and a 52.3% increase was approved in January 1985. Action on the 1985 rate increase of 128% was not finalized until July 1986 when a 14% rate increase was approved.

Conclusion

For the New York JUA, current invested assets appear to be sufficient to meet its obligations. The result is in sharp contrast to prior years when assets were thought to be hundreds of millions of dollars short of meeting its obligations. The turn around is due to substantially lower reserve estimates.

Pennsylvania Medical Malpractice JUA

History

The Pennsylvania JUA became operational January 13, 1976. Members include all casualty insurers. The JUA offers only occurrence coverage to health care providers as defined in the statutes. The Pennsylvania JUA market share is 2.1% based on premium volume (Exhibit 1), down from 3.3% in 1988.

Funding and Deficit Provisions

Funding for the JUA comes from two sources, policyholder premiums and a catastrophe fund. The catastrophe fund is financed through premium surcharges on all health care providers. If the JUA incurs a deficit, the catastrophe fund or a rate increase is intended to cover the deficit. If the catastrophe fund is unable to cover a JUA deficit, a premium surcharge is to be applied to all health care providers.

Balance Sheet

At year-end 1989, the Pennsylvania JUA reports assets of $62.1 million and liabilities of $54.5 million for a surplus of $7.6 million. (See Exhibit 2). Assets are down $1.1 million from 1988 while liabilities are down $5.7 million thus increasing the 1988 surplus of $2.9 million.

Assets

Of the $62.1 million in assets, $60.9 million is invested. (See Exhibit 3). Bond holdings total $58.9 million with an average term of 6.8 years. Short-term investments total $1.5 million. The balance, $0.5 million, is held in cash. Of the $1.2 million not invested, $1.1 million is in interest income due and accrued. The average yield on invested assets is 8.2%.

Cash Flow

Cash flow for the JUA was a negative $1.3 million in 1989 (Exhibit 4) compared to a positive $4.6 million in 1988. The $10.1 million in income came from $5.3 million in premiums ($8.4 million in 1988) and $4.8 million in investment income ($4.9 million in 1988). Expenditures of $11.4 million ($8.7 million in 1988) included $6.8 million for claim payments, $3.4 million for loss adjustment expenses, and $1.2 million for operating expenses. Corresponding expenditures for 1988 were $4.2 million for claims, $4.1 million for loss adjustment expenses, and $0.5 million for operating expenses.

Statutory Reserves

Loss and loss adjustment expense reserves declined from $57.8 million at year-end 1988 to $52.8 million at year-end 1989. (See Exhibit 5). Loss reserves decreased 23% to $35.8 million while loss adjustment expense reserves increased 19% to $17.0 million. The loss reserves are comprised of $18.2 million for pending claims, down $1.2 million from 1988, and $17.6 million for IBNR, down $6.5 million from 1988. The pending claims had an average value of $32,800, up from $30,800 in 1988.

Pending Claims

The number of pending claims at year-end 1989 was down 12% from year-end 1988. Pending claims distribution by accident-year is typical of occurrence coverage with almost half of the 556 claims pending from 1983 and earlier years. (See Exhibit 6).

Discounted Reserves

Unique among JUAs, the Pennsylvania JUA discounts loss reserves. As of year-end 1989, the reserves were discounted at an interest rate of 6%. This would seem to be a conservative interest rate given the 8.2% yield on the $60.9 million in invested assets.

Conclusion

The Pennsylvania JUA has sufficient assets to meet its obligations based on conservatively discounted reserves. The present JUA funding mechanism does not include assessing insurers.

Rhode Island Medical Malpractice JUA

History

The Rhode Island Medical Malpractice JUA was activated April 9, 1976. Members include all personal injury liability insurers including those insurers providing multi-peril policies. The JUA was established to provide insurance to physicians, hospitals, and other health care providers. Both occurrence and claims-made coverage are offered but all individual health care providers have chosen occurrence coverage. In 1989, the JUA's market share was 89.1% based on premiums, the largest market share of any medical malpractice JUA. (See Exhibit 1).

Funding and Deficit Provisions

Funding for the JUA is from (1) policyholder premium, (2) Stabilization Reserve Fund, and (3) member assessments. The Stabilization Reserve Fund is financed by policyholder contributions determined by the director. If the JUA has a deficit, the Stabilization Reserve Fund is to provide funds to cover it. At year-end 1989, the Stabilization Reserve Fund amounted to $5.8 million. If a deficit exists after the Stabilization Reserve Fund contribution, insurers can be assessed. Individual insurer assessments will be based on the percentage of direct premiums for several lines of business as they relate to the aggregate writings in Rhode Island for all members writing those lines of business. Insurers may recoup the assessment by means of a surcharge, not to exceed 1%, on the annual premiums of future personal injury policies. Insurers may also recoup assessments through a premium tax offset.

Balance Sheet

As of year-end 1989, the Rhode Island Medical Malpractice JUA annual statement balance sheet reports assets of $135.2 million and liabilities of $285.2 million for a deficit of $150.0 million. (See Exhibit 2). Assets increased $24.8 million while liabilities increased $8.0 million, resulting in a $16.8 million decrease in the deficit.

Assets

Invested assets amount to $124.7 million of which $109.3 million is in bonds. (See Exhibit 3). All but $7.0 million of the bonds are in government securities. The bonds have an average term of 4.3 years. The embedded yield on invested assets is 8.8%. Other invested assets include $4.0 million in short term securities and $11.3 million in other unspecified assets. Of the $10.5 million in non-invested assets, $7.5 is premium balances.

Cash Flow

Cash flow was a positive $22.2 million in 1989. (See Exhibit 4). Premium is up 4% from $30.8 million in 1988 to $31.9 million in 1989. Investment income is up $1.9 million to $10.0. Total cash income is up $3.2 million. Paid claims are up from $11.4 million in 1988 to $13.9 million in 1989. Loss adjustment expense increased from $3.7 million to $4.0 million. Operating expenses in 1989 are up $0.2 million to $2.0 million.

Statutory Reserves

As of year-end 1989, the JUA reports loss and loss adjustment expense reserves of $261.2 million (Exhibit 5), up $5.3

million from 1988. Loss reserves are down $4.3 million to $227.2 while loss adjustment expense reserves are up $8.3 million to $34.0. The loss reserve decrease is due to pending reserves being decreased $8.3 million to $45.9 million while IBNR was increased $4.0 million to $181.4 million. The average pending claim value is $40,600 compared to $47,400 at year-end 1988.

Pending Claims

The 1,131 pending claims have the typical distribution expected for occurrence coverage. Over half are for accident-years 1985 and prior. (See Exhibit 6). Seventy-nine claims are still pending from 1979 and earlier.

Reserve Development

Existing records allow comparing the original reserves with current estimates only for accident-years 1980 through 1988.

In 1989, the ultimate expected incurred losses for accident-years 1980 through 1988 were reduced $26.7 million or almost 9% from year-end 1988. (See Exhibit 7E). The originally established reserves for accident-years since 1984 are now thought to have been more than adequate. For accident-years 1980 through 1983, however, the originally established reserves are still thought to have been understated.

One possible reason for the reserve reduction is that for the last three years actual claim payments have been less than expected. (See Exhibit 8). At year-end 1986, the JUA expected to pay a total of $91.7 million during the three year period 1987, 1988, and 1989 for claims that occurred in 1986 and prior. During the three year period, however, only $46.0 million was paid, or about half of expected.

Claim Payout

Rhode Island has the second longest estimated time to pay one-half of the incurred claims, 5.8 years (Exhibit 9). The JUA expects it to take over 20 years to pay all the claims from one accident year.

Discounted Reserves

The $150.0 million deficit does not reflect the $5.8 million in the Stabilization Reserve Fund nor the interest to be earned on currently invested assets. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, and (4) the full value of the assets will be realized if they are sold before maturity, the JUA needs at least $173.0 million to meet those payments or $42.5 million more than it has, including the funds in the Stabilization Reserve Fund. (See Exhibit 10). If future premiums are not used to meet those payments, the current invested assets could be depleted sometime in 1996 leaving $98.6 million to be paid. (See Exhibit 11). As long as cash flow remains positive, however, the JUA will be able to meet its obligations.

Rate Filings

Historically, the JUA has had difficulty in obtaining rate increases. (See Exhibit 12E). For 1978, a 34.1% rate increase was requested, but no hearing was held, and the rate increase was not approved. The only year for which the requested rate increase was approved was 1979. For 1980, a 25.3% rate increase was requested but later withdrawn. For each of the subsequent years, rate increases were requested and the JUA usually received one-half or less of the amount requested. For 1986, a 91.4% increase was requested

but only a 36.1% increase was approved but not until July 1, 1987. On the same date, a 5.6% increase was approved for 1987 basic limits coverage although 78% was requested. For 1988, a 55.3% increase was requested but only 19.9% was granted. For 1989, no rate filing was made.

Conclusion

The Rhode Island JUA deficit is more than current annual premiums even when consideration is given to future investment income. The Stabilization Reserve Fund will be able to supply only $5.8 million to offset the JUA's deficit. One positive note is that recent actual payments have been less than expected. If this trend continues, the deficit may continue to decline as happened in 1989.

South Carolina Medical Malpractice JUA

History

The South Carolina Medical Malpractice JUA became operational June 30, 1975. Members include all insurers writing bodily injury liability insurance including multi-peril policies but excluding automobile liability insurers. The JUA provides occurrence coverage for physicians, hospitals, and other health care providers. The JUA market share was 58.9% in 1989. (See Exhibit 1). The market share is up slightly from 55.4% in 1988.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums and fees, (2) policyholder assessments, and (3) member assessments. If a deficit occurs, JUA policyholders can be assessed up to one annual premium or the deficit may be funded through prospective rate increases. If these measures do not raise sufficient funds, member insurers are responsible for the remaining deficit.

Balance Sheet

As of fiscal year ending June 30, 1989, the South Carolina JUA reports assets of $42.8 million and liabilities of $49.0 million for a deficit of $6.2 million. (See Exhibit 2). Assets are up 24% from $34.4 million while liabilities are unchanged from 1988 resulting in the deficit decreasing 58% from $14.6 million.

Assets

Invested assets amount to $42.8 million with $38.3 million invested in government bonds. (See Exhibit 3). At fiscal year-end 1989, the bonds had an embedded yield of 8.0% unchanged from a year earlier. Average bond maturity is 2.3 years. The remaining invested assets, $4.4 million, were in short-term investments.

Cash Flow

The JUA had a $8.3 million positive cash flow in fiscal year ending June 30, 1989. (See Exhibit 4). Total income was $15.8 million, up $1.0 million from 1988. Premiums accounted for $13.0 million, up 2% from 1988. Investment income was up from $2.1 million to $2.8 million. Expenditures included $2.6 million for paid claims ($5.5 million in 1988), $3.3 million for loss adjustment expenses, ($3.2 million in 1988), and $1.7 million for operating expenses ($1.4 million in 1988).

Statutory Reserves

For the fiscal year ending June 30, 1989, the JUA reports loss and loss adjustment expense reserves of $41.2 million down from $41.6 million in 1988. (See Exhibit 5). Of this amount, $25.4 million is for loss reserves and $15.8 million for loss adjustment expenses. Loss reserves are down 15% while loss adjustment expense reserves are up 35%. The loss reserves are comprised of $8.2 million for pending claims and $17.2 million for IBNR. The average pending claim value is $11,500, the lowest of all JUAs.

Pending Claims

The 715 pending claims are up 3% from 1988. (See Exhibit 6). The pending claim distribution is typical of occurrence coverage with about half the claims from 1986 and prior.

Reserve Development

The JUA provided their actuary's reserve developments that provide a look

at the most recent estimate of the accident-year 1989 reserve as well as all other accident-years. (See Exhibit 7F). Up until 1984, the initial fiscal accident-year reserves have been found to have been inadequate. For fiscal-years ending since 1984, the original reserves appear to have been more than adequate.

The reserve reductions may be a reflection of the fact that actual claim payments have been somewhat less than expected. (See Exhibit 8). At fiscal year-end June 1986, the JUA expected to pay out $18.6 million in the subsequent three years. During those three years, $17.6 million was actually paid or 5% less than expected.

Claim Payout

The South Carolina JUA has the second shortest anticipated runoff period for occurrence policies. The JUA expects half of the incurred claims to be paid within 3.3 years. (See Exhibit 9).

Discounted Reserves

The $6.2 million deficit does not include the investment income to be earned on the currently invested assets. Assuming (1) the current reserve estimates are adequate, (2) the estimated runoff pattern is reasonably accurate, (3) current invested assets will continue to earn their embedded yield, and (4) the full value of the assets will be realized if they are sold before maturity, the amount of money needed to meet future payments is $33.4 million. (See Exhibit 10). Considering investment income, therefore, invested assets are $7.8 million more than the discounted reserves.

Rate Filings

The South Carolina JUA has always received requested rate increases. (See Exhibit 12F). Rate increases, for physicians amounted to 50% for 1977, 40% for 1981, and 25% for 1983, 1985, and 1986. Hospital increases amounted to 133% for 1978, 20% for 1983, 40% for 1985, and 45% for 1986. Between 1987 and 1989, no rate filings were made after reviewing the experience. In 1990, a 20% reduction was approved for physicians and dentists and a 10% reduction for hospitals.

Conclusion

The JUA's current assets plus future investment income on those assets appear to be sufficient to cover current liabilities. Over the last three years the JUA has moved from a deficit position to a surplus position considering investment income. With the provision to assess policyholders for any deficit, the probability of insurers being assessed has been reduced considerably.

Texas Medical Malpractice JUA

History

The Texas Medical Malpractice JUA began operations September 8, 1975. Membership includes all liability insurers except farm and county mutuals. The JUA is authorized to offer occurrence coverage to any health care provider or physician included in one of the categories eligible for coverage as determined by the State Board. In 1989, the JUA covered physicians, surgeons, dentists, and hospitals and wrote 8.0% of all medical malpractice insurance in the state. (See Exhibit 1). The market share is down from the 8.8% in 1988.

Funding and Deficit Provisions

Funding for the JUA comes from (1) policyholder premiums, (2) Stabilization Reserve Fund, (3) policyholder assessments, and (4) member assessments. Funding for the Stabilization Reserve Fund comes from a surcharge on JUA policyholder premiums. If a deficit occurs in the JUA, an assessment against JUA policyholders insured anytime in the last two years can be made and is limited to 100% of the current annual premium. If the policyholder assessment does not raise sufficient funds to cover the JUA deficit, assessments can also be levied against insurers based on their premium writings with a maximum assessment of 1% of surplus. This is the only JUA to have assessed insurers. Policyholders and insurer assessments were made for calendar years 1984, 1985, and 1986. No assessments against insurers have been necessary since 1986.

Balance Sheet

As of year-end 1989, the Texas JUA balance sheet showed assets of $141.8 million, up from $133.1 million in 1988, and liabilities of $141.8 million for a zero surplus. (See Exhibit 2). The JUA changed its accounting procedures in 1987 to record as a receivable any deficit incurred during the year. As noted above, the JUA assesses and collects funds whenever it has a deficit.

Assets

The JUA invested $137.2 million of its assets. (See Exhibit 3). Government bonds of $128.9 million comprised the largest component of the assets. The embedded yield on the bonds is 8.3%, up from 8.1% in 1988 with an average term of 2.3 years. Short-term investments total $2.3 million, and an additional $6.1 million is held in cash. Of the remaining $4.6 million in assets, $2.5 million is in accrued interest, with the balance due from assessments.

Cash Flow

In 1989, cash flow is a positive $7.2 million. (See Exhibit 4). Premium is $16.2 million, down $1.0 million from 1988. Investment income is $9.6 million, up $0.7 million from 1988. Total income is $25.8 million, down $0.3 million from 1988. Total expenditures are $18.5 million, down $3.2 million from $21.7 million in 1988. Expenditures for claim payments are $11.0 million, down $2.9 million from the $13.9 million in 1988. Loss adjustment expenses are $4.7 million, up $1.1 million. Expenses of $2.9 million in 1989 are down from $4.2 million in 1988.

Statutory Reserves

As of year-end 1989, the JUA reports $116.1 million in loss and loss adjustment expense reserves. (See Exhibit 5). This amount is $7.4 million higher than in 1988. The loss reserve is $91.6 million, up $7.5 million, while the loss adjustment expense reserve is $24.6 million, unchanged from 1988. The loss reserve is comprised of $34.6 million for pending claims and $57.0 million for IBNR. The average reserve is $48,400, up 21% from 1988.

Pending Claims

After surging in 1987, pending claims have declined slightly in the last two years. (See Exhibit 6). Unlike other JUAs offering occurrence policies, less than 50% of the pending claims are for accident years 1985 and prior.

Reserve Development

For most years, the initial accident-year reserves proved to be inadequate. (See Exhibit 7G). For the early years, 1976 and 1977, the JUA now estimates that the initial reserves were slightly more than adequate. For accident-years 1979 through 1984, the initial accident-year reserves are estimated to have been inadequate. The inadequacies range from $1.7 million in 1988 to $7.0 million in 1980. In 1980, the initial accident-year reserve was $3.7 million, while $10.8 million is the current estimate of that reserve. During 1989, the JUA increased its estimates for accident-years 1986 through 1988 by $6.4 million or 8%.

Unlike the experience of some other JUAs, the amount of money that was expected in 1986 to be paid in 1987 through 1989 was very close to actual. (See Exhibit 8). At year-end 1986, the JUA expected to pay $40.6 million during 1987, 1988 and 1989 for claims that occurred in 1986 and prior. During these three years, the actual payments amounted to $39.1 million or 96% of expected.

Claim Payout

In Texas, the length of time to pay one-half of the ultimate incurred losses is 4.1 years (Exhibit 9). This relatively short time may explain why the JUA has relatively fewer older claims.

Discounted Reserves

Based on the statutory results, liabilities are set equal to assets. If the reserve is discounted assuming (1) the current accident-year reserve estimates are adequate, (2) the estimated runoff pattern is reasonable accurate, (3) current invested assets will continue to earn at their current rate, and (4) full value of the invested assets will be obtained if they have to be sold before maturity, the present value of those future payments is $45.4 million less than current invested assets. (See Exhibit 10).

The current invested assets along with future investment income from those assets appear to be sufficient to pay all current liabilities.

Rate Filings

Except for 1981, 1986, and 1988, the JUA has always received the approval for the rate increase requested. (See Exhibit 12G). Since its inception the JUA has filed for several rate increases. The first was a 50% increase in hospital rates for 1981. This rate increase was disapproved. For 1983, the JUA filed a 263% rate increase for dentists and oral surgeons, and this rate increase was approved. For 1985, the JUA filed two rate increases (1) 50% for physicians, surgeons, hospitals, other

institutions, and (2) 50% for podiatrists. Both were approved. For 1986, it filed a 156.3% increase for physicians and other non-institutional healthcare providers and a 161.9% increase for hospitals and other institutional healthcare providers. For physicians, a 104.7% increase was approved, and a 109.9% increase was approved for hospitals. For 1987, rate increase of 29.8% for physicians and 12.9% for hospitals were requested and approved. For 1988, rate increases of 11.6% for physicians and 58.7% for hospitals was requested. For physicians a rate decrease of 4.2% was approved while a rate increase of 19.2% for hospitals was approved. For 1989, no rate filings were made.

Conclusion

The Texas JUA appears to be financially sound when future investment income is considered. The fact that the JUA assesses policyholders and insurers when a statutory deficit occurs should prevent huge deficits from accumulating as they have in other JUAs.

Virginia Medical Malpractice JUA

History

The Virginia JUA became operational September 9, 1986. Each licensed insurer writing liability insurance within the state is a member of the association except those insurers exempted by regulation. The JUA offers claims-made coverage to physicians and surgeons. In 1988, the Commission expanded the JUA to include nurse practitioners, nurse anesthetists, and nurse midwives. In 1989, the JUA wrote 2.0% of the medical malpractice market based on premium volume. (See Exhibit 1). The market share is down from 3.3% in 1988.

Funding and Deficit Provisions

Funding is provided from (1) policyholder premiums, (2) Stabilization Reserve Fund surcharges, and (3) member assessments. If a deficit occurs, the deficit is first recovered from the Stabilization Reserve Fund. If the Stabilization Reserve Fund is exhausted, the JUA can assess members as approved by the State Corporation Commission. The liability of the policyholder is limited to the funds accruing in the Stabilization Reserve Fund.

Balance Sheet

As of year-end 1989, the Virginia JUA reports assets of $8.5 million including $3.1 million in the Stabilization Reserve Fund and liabilities of $7.9 million, with a surplus of $0.6 million. (See Exhibit 2). Surplus declined $2.1 million in 1989 because liabilities increased $2.9 million while assets increased only $0.8 million.

Assets

The JUA invests $7.4 million of the $8.5 million of assets. (See Exhibit 3). The investments include $5.4 million in bonds with an average maturity of 2.3 years. The balance of investments, $2.0 million, is held in cash and short term investments. The $1.1 million in non-invested assets is divided between premium balances, $0.2 million; federal income tax recoverable, $0.7 million; and and other assets, $0.2 million. The average yield of the bonds is 8.5%.

Cash Flow

In 1989, the cash flow was a negative $0.3 million. (See Exhibit 4). Income of $2.8 million was offset by $3.1 million in expenditures. Premium income of $2.1 million was down 43% from $3.7 million in 1988. Investment income, however, doubled from $0.3 million in 1988 to $0.6 million in 1989. Expenditures almost tripled in 1989 due to the large increase in paid claims and loss adjustment expenses. Paid claims were only $11,500 in 1988 but were $1.9 million in 1989. Loss adjustment expenses doubled from $160,000 in 1988 to $330,000 in 1989. Other expenses were unchanged.

Statutory Reserves

The JUA reports $6.7 million in loss and loss adjustment expense reserves, a $3.9 million increase over 1988. (See Exhibit 5). More than 90%, or $6.2 million, of the reserves are for claim payments and the remaining 10%, or $0.5 million, are for loss adjustment expenses. The average pending reserve amount of $140,000 is the highest among all the JUAs.

Pending Claims

As of year-end 1989, 25 claims are pending. (See Exhibit 6). Half of the claims are from 1989, reflecting the claims-made coverage.

Reserve Development

Given that the JUA has only been in operation for a little over three years and the small number of claims, insufficient data is available for meaningful reserve developments.

Claim Payout

The Virginia JUA's limited experience and the claim payout pattern recommended by its consulting actuaries indicates that the JUA can expect to pay one-half of its incurred liability on any accident-year in about two and one-half years of the close of the accident-year. (See Exhibit 9).

Discounted Reserves

Given the expected rapid runoff on claims, the JUA will not have much time to generate investment income. Discounting the reserves based on the rapid runoff and the current embedded yield results in a discounted reserve of $5.6 million (Exhibit 10). This is $1.8 million less than the current invested assets.

Rate Filings

Initial Virginia JUA rate level was established at 5% higher than the medical malpractice rates charged by the largest commercial carrier.

Conclusion

No conclusions can be drawn regarding the financial condition of the Virginia JUA since it has only been in operation for a little over three years. At the present time, the JUA appears to be operating as a residual market given its low market share. The JUA also appears to have sufficient funds to meet its obligations.

Wisconsin Medical Malpractice JUA

History

The Wisconsin Medical Malpractice JUA began operations March 17, 1975. Members included all personal liability insurers. Insurance is offered to all health care providers. In 1989, the JUA medical malpractice market share was 22.3% (Exhibit 1).

Funding and Deficit Provisions

Funding comes from two sources, (1) policyholder premiums and (2) member assessments. If the JUA suffers a deficit, members can be assessed based on a pro rate share of their writings. A recoupment provision is provided in the form of a rate increase.

Balance Sheet

As of year-end 1989, the Wisconsin JUA reports $106.3 million in assets ($94.1 million in 1988), $118.0 million in liabilities ($111.5 million in 1988), and a deficit of $11.7 million ($17.4 million in 1988). (See Exhibit 2).

Assets

Invested assets amount to $101.5 million of which $98.8 million is in bonds. Short-term investments at year-end 1989 are $2.7 million. The bond portfolio has an average yield of approximately 7.8%. The average time to maturity for bonds is 6.4 years. The $4.8 million of non-invested assets include $2.4 million of premium balances and $2.4 million in interest income due and accrued.

Cash Flow

In 1989, the Wisconsin JUA had a positive $15.8 million cash flow (Exhibit 4) up from $6.3 million in 1988. Total income of $29.0 million, up from $25.9 million in 1988 is comprised of $17.1 million from premiums, $8.6 million from investment income, and $3.2 million from other income. The premium figure is down from the $18.0 million in 1988, while investment income is up from $7.6 million in 1988. Expenditures of $13.2 million are down $6.3 million from the $19.5 million in 1988. Paid claims decreased from $10.0 million in 1988 to $6.6 million in 1989. The 1989 loss adjustment expenses are $5.1 million compared to $5.6 million in 1988. Other expenses are up $0.2 million to $1.5 million.

Statutory Reserves

The Wisconsin JUA reports $107.2 million in loss and loss adjustment expense reserves as of year-end 1989 (Exhibit 5) up $7.0 million from 1988. The increase is due to loss reserves increasing from $69.0 million in 1988 to $70.8 million in 1989, while the loss adjustment expense reserve in 1989 of $36.4 million is up $5.2 million from $31.2 million in 1988. Most of the increase in the loss reserves is due to the IBNR reserve increasing from $52.2 million in 1988 to $53.4 million in 1989. The pending reserve increased only $0.6 million from $16.8 million in 1988 to $17.4 million in 1989. The average pending reserve of $19,000 is up from the average pending reserve of $17,900 in 1988.

Pending Claims

The number of pending claims is down from 939 in 1988 to 916 in 1989. (See Exhibit 6). The drop in pending claims from 1,241 in 1986 to the present level may be one of the reasons that over the last three years actual claim payments have been less than expected. (See Exhibit 8). At year-end 1986, the JUA expected to pay $44.5 million during 1987, 1988, and 1989 for injuries that occurred in 1986 and prior. During the three year period, $41.9 million was paid or 6% less than expected.

Discounted Reserves

While the Wisconsin JUA did not supply the requested data on historical payout patterns and current accident-year reserves for development and discounting purposes, the JUA's consulting actuary did provide a projected run-off pattern for the loss and loss adjustment expense reserves as of 9/30/89. Applying this projected run-off pattern to the year-end 1989 reserve and discounting at the average yield, the discounted reserve is estimated to be $79.7 million, which is $21.7 million less than the invested assets of $101.5 million. (See Exhibit 10). This margin provides a cushion if reserves prove to be inadequate or claims are paid faster than anticipated.

Rate Filings

Since 1984, the JUA requested rate increases six times and received approval for the requested rate increases five times. For 1984, the JUA asked for a 51.5% increase in the rates for physicians and received approval for a 35% increase. At the same time, they requested a 67.2% increase for hospitals and received a 49.0% increase. For 1985, the JUA requested and received approval for a 69.6% increase for physicians and a 52.4% increase for hospitals. For 1986, the JUA requested and received approval for a 32.2% increase in physician rates and a 51.4% increase in hospital rates. For 1987, the JUA requested and received approval for a 9.8% increase in physician rates and a 23.1% increase in hospital rates. For 1988, the JUA requested and received approval for a 2.5% increase in physician rates and a 23.8% increase in hospital rates. For 1989, the JUA requested and received approval for an 8.0% increase in physician rates and a 13.2% increase in hospital rates.

Conclusion

Based on this analysis, the Wisconsin JUA appears to have sufficient invested assets including future investment income to cover existing claim liabilities.

1989
EXHIBITS

Exhibit 1
1989 Market Share

State	Percent
Florida	5.0%
Kansas	12.1
Massachusetts	87.5
Minnesota	0.4
New Hampshire	62.5
New York	18.7
Pennsylvania	2.1
Rhode Island	89.1
South Carolina	58.9
Texas	8.0
Virginia	2.0
Wisconsin	22.3

Exhibit 2
Balance Sheet—Statutory

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$78,782,471	$10,019,663	$ 682,282,755	$1,177,139	$70,885,163	$963,119,207
Liabilities	$78,782,471	$10,019,663	1,147,578,978	960,484	108,229,182	1,444,494,883
Surplus	0	0	(465,296,223)	216,655	(37,344,019)	(481,375,676)

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$62,118,884	$135,155,542	$42,796,680	$141,842,557	$8,484,822	$106,274,712
Liabilities	54,486,845	285,173,107	48,971,254	141,842,557	7,871,515	117,970,121
Surplus	7,632,039	(150,017,565)	(6,174,574)	0	613,307	(11,695,409)

* Fiscal year ending June 1989.

Exhibit 3
Assets

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$78,782,471	$10,019,663	$682,282,755	$1,177,139	$70,885,163	$963,119,207
Invested	75,276,045	9,670,260	619,741,291	1,171,208	65,243,147	812,807,972
Bonds	71,429,262	0	600,810,615	0	63,020,704	740,152,827
Short Term	845,334	7,908,213	17,306,000	0	0	72,388,146
Cash	3,001,449	1,762,047	1,410,421	803,073	2,222,443	266,999
Other	0	0	214,255	368,135	0	0
Non-Invested	3,506,426	349,403	62,541,464	5,931	5,642,016	150,311,235
Premium Balance	1,994,943	0	46,454,405	3,333	2,760,964	136,645,015
Other	1,511,483	349,403	16,087,059	2,598	2,881,052	13,666,220
Embedded Yield	8.3%	7.7%	8.0%	6.0%	8.4%	8.8%
Bond Maturity In Years	3.8	No Bonds	12.6	No Bonds	4.3	20.5

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$62,118,884	$135,155,542	$42,796,680	$141,842,557	$8,484,822	$106,274,712
Invested	60,942,923	124,664,595	42,763,998	137,207,355	7,381,714	101,462,964
Bonds	58,915,795	109,347,898	38,281,430	128,875,712	5,400,972	98,848,455
Short Term	1,500,000	3,987,830	4,437,419	2,256,067	893,774	2,655,140
Cash	527,128	(15,775)	45,149	6,075,576	1,086,968	(40,631)
Other	0	11,344,642	0	0	0	0
Non-Invested	1,175,961	10,490,947	32,682	4,635,202	1,103,108	4,811,748
Premium Balance	46,020	7,537,185	32,682	0	235,092	2,363,441
Other	1,129,941	2,953,762	0	4,635,202	868,016	2,448,307
Embedded Yield	8.2%	8.8%	8.0%	8.3%	8.5%	7.8%
Bond Maturity In Years	6.8	4.3	2.3	2.3	2.3	6.4

* Fiscal year ending June 1989.

Exhibit 4
Cash Flow

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Income	$23,531,143	$5,254,417	$230,946,951	$336,101	$23,998,483	$260,054,480
Premium	19,047,838	4,675,936	179,564,367	288,002	18,849,940	203,579,954
Investment Income	4,483,305	578,481	48,593,520	48,099	5,148,543	53,623,175
Other Income	0	0	2,789,064	0	0	2,851,351
Expenditures	13,104,638	4,347,033	120,156,681	111,119	9,125,640	40,095,316
Paid Claims	7,637,016	2,023,785	78,573,094	14,000	5,097,131	16,872,165
Loss Adj. Exp.	3,473,990	593,086	19,072,719	24,835	2,354,137	9,395,275
Other Expenses	1,993,632	1,730,132	22,510,868	72,284	1,674,372	13,827,876
Net Cash Flow	10,426,505	907,384	110,790,270	224,982	14,87[illegible]43	219,959,164

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Income	$10,081,076	$42,023,068	$15,809,930	$25,767,197	$2,766,912	$29,010,532
Premium	5,272,234	31,866,791	12,992,500	16,175,876	2,138,536	17,142,220
Investment Income	4,808,842	10,041,701	2,817,429	9,588,121	628,351	8,603,694
Other Income	0	114,576	1	3,200	25	3,264,618
Expenditures	11,351,361	19,809,851	7,540,877	18,517,316	3,078,269	13,169,819
Paid Claims	6,811,666	13,853,615	2,562,989	10,960,883	1,883,822	6,577,581
Loss Adj. Exp.	3,374,763	3,994,224	3,308,867	4,692,454	329,579	5,063,027
Other Expenses	1,164,932	1,962,012	1,669,021	2,863,979	914,868	1,529,211
Net Cash Flow	($1,270,285)	22,213,217	8,269,053	7,249,881	(311,357)	15,840,713

* Fiscal year ending June 1989.

Exhibit 5
Loss and LAE Reserves

Year-End 1989	Florida	Kansas*	Massachusetts	Minnesota**	New Hampshire	New York
Loss and LAE Reserves	$82,391,071	$4,877,400	$1,050,465,913	$465,241	$95,238,947	$1,333,159,661
Loss Reserves	58,769,800	3,695,000	754,608,242	465,241	71,235,988	1,061,765,301
LAE Reserves	23,621,271	1,182,400	295,857,671	0	24,002,959	271,394,360
Loss Reserves	58,769,800	3,695,000	654,608,242	465,241	71,235,988	1,061,765,301
Pending	21,205,183	3,545,000	355,630,089	42,003	9,978,001	167,060,375
IBNR	$37,564,617	$ 150,000	$ 398,978,153	423,238	$61,257,987	$894,704,926
Pending Claims	Not Reported	113	3,966	3	306	2,149
Average Pending Claim		$ 31,372	$ 89,670	$ 14,001	$ 32,608	$ 77,739

Year-End 1989	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Loss and LAE Reserves	$52,753,554	$261,199,000	$41,185,042	$116,144,859	$6,747,188	$ 107,185,430
Loss Reserves	35,793,107	227,241,000	25,351,250	91,587,173	6,229,500	70,797,893
LAE Reserves	16,960,447	33,958,000	15,833,792	24,557,686	517,688	36,387,537
Loss Reserves	35,793,107	227,241,000	25,351,250	91,587,173	6,229,500	70,797,893
Pending	18,211,075	45,872,600	8,198,500	34,563,525	3,510,500	17,382,914
IBNR	$17,582,032	$181,368,400	$17,152,750	$57,023,648	$2,719,000	$53,414,979
Pending Claims	556	1,131	715	714	25	916
Average Pending Claim	$ 32,754	$ 40,559	$ 11,466	$ 48,408	$ 140,420	$ 18,977

* Fiscal year ending June 1989.

** LAE Reserves included in Loss Reserves and Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Prior to 1980			138		11	281
1980			89		11	90
1981			123		14	99
1982			220		18	139
1983			285		31	163
1984			350		28	170
1985			523		40	112
1986		4	597		53	300
1987		6	541	2	39	320
1988		18	623	1	33	288
1989		85	477	0	28	150
						37
Total	Not Reported	113	3,966	3	306	2,149

Calendar Year	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Prior to 1980	7	79	23	26		39
1980	4	22	8	7		15
1981	12	45	3	7		27
1982	36	85	26	11		41
1983	62	147	34	19		47
1984	72	142	51	38		86
1985	111	138	64	116		80
1986	108	225	131	194		125
1987	93	121	148	196	2	100
1988	38	80	144	77	10	164
1989	13	47	83	23	13	192
Total	556	1,131	715	714	25	916

* Fiscal year ending June 1989

Exhibit 7A
Florida Reserve Development

Accident-Year Ending	Inception to 12/89 Original Reserve	Inception to 12/89 Developed Reserve at 12/89	Inception to 12/89 Reserve Redundency/ (Deficiency)	1989 Development Developed Reserve at 12/88	1989 Development Developed Reserve at 12/89	1989 Development Reserve Redundency/ (Deficiency)
1976	$ 6,164,771	$ 7,410,000	$ (1,245,229)	$ 7,410,000	$ 7,410,000	$ 0
1977	9,096,805	6,601,000	2,495,805	6,601,000	6,601,000	0
1978	6,562,029	6,360,000	202,029	6,360,000	6,360,000	0
1979	7,392,625	8,466,000	(1,073,375)	8,466,000	8,466,000	0
1980	5,808,681	11,985,000	(6,176,319)	11,612,000	11,985,000	(373,000)
1981	4,190,641	12,422,000	(8,231,359)	12,412,000	12,422,000	(10,000)
1982	4,363,976	18,046,000	(13,682,024)	18,586,000	18,046,000	540,000
1983	11,616,665	13,778,418	(2,161,753)	13,778,418	13,778,418	0
1984	9,723,880	9,001,000	722,880	8,635,000	9,001,000	(366,000)
1985	4,652,588	9,226,000	4,573,412	8,526,000	9,226,000	(700,000)
1986	10,251,607	11,211,000	959,393	13,385,000	11,211,000	2,174,000
1987	43,212,032	24,573,000	18,639,032	35,601,000	24,573,000	11,028,000
1988	32,533,687	28,872,000	3,661,687	32,533,687	28,872,000	3,661,687
Total	$155,569,987	$167,951,418	$(12,381,431)	$183,906,105	$167,951,418	$15,954,687

Exhibit 7B
Kansas Reserve Development

Accident-Year Ending	Inception to 6/89 Original Reserve	Inception to 6/89 Developed Reserve at 6/89	Inception to 6/89 Reserve Redundency/ (Deficiency)	1989 Development Developed Reserve at 6/88	1989 Development Developed Reserve at 6/89	1989 Development Reserve Redundency/ (Deficiency)
1977	$ 231,980	$ 16,044	$ 215,936	$ 16,044	$ 16,044	$ 0
1978	583,730	321,704	262,026	321,704	321,704	0
1979	861,487	459,923	401,564	459,923	459,923	0
1980	815,528	1,040,462	(224,934)	1,040,462	1,040,462	0
1981	706,474	911,826	(205,352)	911,826	911,826	0
1982	1,711,846	1,754,434	(42,588)	1,754,434	1,754,434	0
1983	2,258,250	1,914,371	343,879	1,914,371	1,914,371	0
1984	3,206,250	2,302,484	903,766	2,557,129	2,302,484	254,645
1985	3,727,950	2,318,880	1,409,070	2,318,880	2,318,880	0
1986	2,282,700	1,682,119	600,581	1,873,134	1,682,119	191,015
1987	3,854,250	2,541,297	1,312,953	2,837,801	2,541,297	296,504
1988	2,511,000	1,713,429	797,571	2,511,000	1,713,429	797,571
Total	$22,751,445	$16,976,973	$5,774,472	$18,516,708	$16,976,973	$1,539,735

Exhibit 7C
Massachusetts Reserve Development

Inception to 12/89

Accident-Year Ending	Original Reserve	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1979 & P	$ 127,479,595	$ 161,135,454	$ (33,655,859)
1980	35,304,820	72,580,310	(37,275,490)
1981	48,682,760	83,070,660	(34,387,900)
1982	48,335,515	94,715,979	(46,380,464)
1983	182,544,791	105,164,406	77,380,385
1984	221,491,220	110,696,619	110,794,601
1985	223,626,369	123,323,501	100,302,868
1986	213,581,392	126,304,021	87,277,371
1987	273,112,368	135,732,117	137,380,251
1988	189,974,209	133,649,210	56,324,999
Total	$1,564,133,039	$1,146,372,277	$417,760,762

1989 Development

Accident-Year Ending	Developed Reserve at 12/88	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1979 & P	$ 163,531,454	$ 161,135,454	$2,396,000
1980	76,305,310	72,580,310	3,725,000
1981	91,619,660	83,070,660	8,549,000
1982	107,711,979	94,715,979	12,996,000
1983	124,105,406	105,164,406	18,941,000
1984	139,093,619	110,696,619	28,397,000
1985	158,581,501	123,323,501	35,258,000
1986	172,795,021	126,304,021	46,491,000
1987	177,443,117	135,732,117	41,711,000
1988	189,974,209	133,649,210	56,324,999
Total	$1,401,161,276	$1,146,372,277	$254,788,999

Exhibit 7D
New York Reserve Development

Inception to 12/89

Accident-Year Ending	Original Reserve	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1975	$ 8,084,387	$ 24,527,167	$(16,442,780)
1976	44,007,000	65,287,855	(21,280,855)
1977	13,614,000	48,527,398	(34,913,398)
1978	23,668,000	40,964,733	(17,296,733)
1979	40,633,000	47,164,121	(6,531,121)
1980	42,364,997	41,753,104	593,893
1981	49,079,674	40,508,034	8,571,640
1982	65,175,744	33,054,690	32,121,054
1983	56,309,053	34,475,558	21,833,495
1984	30,476,829	20,744,839	9,731,990
1985	127,759,152	65,525,908	62,233,244
1986	410,452,381	188,660,257	221,792,124
1987	412,642,079	260,007,882	182,634,197
1988	512,467,726	322,966,283	189,501,443
Total	$1,886,716,022	$1,234,167,829	$632,548,193

1989 Development

Accident-Year Ending	Developed Reserve at 12/88	Developed Reserve at 12/89	Reserve Redundency/ (Deficiency)
1975	$ 25,559,735	$ 24,527,167	$ 1,032,568
1976	64,869,695	65,287,855	(418,169)
1977	49,458,709	48,527,398	931,311
1978	42,731,104	40,964,733	1,766,371
1979	49,344,398	47,164,121	2,180,277
1980	45,007,896	41,753,104	3,254,792
1981	48,897,121	40,508,034	8,389,087
1982	39,747,665	33,054,690	6,692,975
1983	46,357,117	34,475,558	11,881,559
1984	27,467,936	20,744,839	6,723,097
1985	118,296,350	65,525,908	52,770,442
1986	333,956,308	188,660,257	145,296,051
1987	438,752,070	260,007,882	178,744,188
1988	512,467,726	322,966,283	189,501,443
Total	1,842,913,830	$1,234,167,829	$608,746,001

Exhibit 7E
Rhode Island Reserve Development

Accident-Year Ending	Inception to 12/89 Original Reserve	Inception to 12/89 Developed Reserve at 12/89	Inception to 12/89 Reserve Redundency/ (Deficiency)	1989 Development Developed Reserve at 12/88	1989 Development Developed Reserve at 12/88	1989 Development Reserve Redundency/ (Deficiency)
1976		Not Available			Not Available	
1977		Not Available			Not Available	
1978		Not Available			Not Available	
1979		Not Available			Not Available	
1980	$ 10,128,614	$ 19,582,522	$(9,453,908)	$ 18,857,045	$ 19,582,522	$ (725,477)
1981	11,979,104	18,346,152	(6,367,048)	17,325,608	18,346,152	(1,020,544)
1982	18,373,088	26,957,979	(8,584,891)	27,405,305	26,957,979	447,326
1983	23,186,372	24,810,379	(1,624,007)	23,973,118	24,810,379	(837,261)
1984	35,545,996	22,760,716	12,785,280	23,138,499	22,760,716	377,783
1985	49,424,676	31,644,451	17,780,225	31,285,381	31,644,451	(359,070)
1986	55,717,802	37,603,495	18,114,307	40,098,283	37,603,495	2,494,788
1987	58,779,671	42,159,049	16,620,622	53,906,821	42,159,049	11,747,772
1988	69,204,616	54,596,511	14,608,105	69,204,616	54,596,511	14,608,105
Total	$332,339,939	$278,461,254	$53,878,685	$305,194,676	$278,461,254	$26,733,442

Exhibit 7F
South Carolina Reserve Development

Fiscal Accident-Year Ending	Inception to 12/89 Original Reserve	Inception to 12/89 Developed Reserve at 12/89	Inception to 12/89 Reserve Redundency/ (Deficiency)
1976	$ 2,126,101	$ 2,662,282	$ (536,181)
1977	Not Available	2,090,508	
1978	Not Available	4,194,307	
1979	Not Available	3,690,067	
1980	3,737,827	4,942,275	(1,204,448)
1981	3,842,800	4,825,569	(982,769)
1982	3,869,282	6,440,574	(2,571,292)
1983	4,416,289	7,687,315	(3,271,026)
1984	5,021,646	7,323,308	(2,301,662)
1985	9,780,856	6,714,949	3,038,907
1986	11,369,569	8,219,170	3,150,399
1987	11,879,608	8,849,170	3,030,438
1988	13,527,519	9,474,725	4,052,794
1989	13,527,519	11,389,394	2,138,125
Total	$83,099,016	$88,530,613	$4,543,285

Exhibit 7G
Texas Reserve Development

Inception to 12/89

Accident-Year Ending	Original Reserve	Developed Reserve 12/89	Reserve Redundency/ (Deficiency)
1976	$5,767,277	$4,889,997	$ 877,280
1977	9,211,976	9,089,105	122,871
1978	8,819,748	9,057,661	(237,913)
1979	6,451,681	10,668,289	(4,216,608)
1980	3,728,214	10,775,543	(7,047,329)
1981	3,380,338	9,922,077	(6,541,739)
1982	3,342,294	8,493,123	(5,150,829)
1983	3,944,716	8,958,224	(5,013,508)
1984	8,628,249	12,924,624	(4,296,375)
1985	23,864,797	27,092,467	(3,227,670)
1986	33,923,405	36,603,395	(2,679,990)
1987	24,392,395	26,393,699	(2,001,304)
1987	19,613,882	21,317,675	(1,703,793)
Total	$155,068,972	$196,185,879	$(41,116,907)

Inception to 12/89

Accident-Year Ending	Developed Reserve 12/88	Developed Reserve 12/89	Reserve Redundency/ (Deficiency)
1976	$5,221,059	$4,889,997	$ 331,062
1977	9,089,105	9,089,105	0
1978	9,241,901	9,057,661	184,240
1979	10,668,289	10,668,289	0
1980	10,978,531	10,775,543	202,988
1981	10,340,848	9,922,077	418,771
1982	8,862,144	8,493,123	369,028
1983	8,439,720	8,958,224	(518,504)
1984	12,161,219	12,924,624	(763,405)
1985	27,092,461	27,092,467	(6)
1986	33,923,405	36,603,395	(2,679,990)
1987	24,392,395	26,393,699	(2,001,304)
1987	19,613,882	21,317,675	(1,703,793)
Total	$190,024,959	$196,185,879	$(6,160,920)

Exhibit 8
Actual Paid in 1987, 1988, 1989 for accident years 1986 and prior compared to expected paid based on 1986 reserves

State	Expected	Actual	Ratio Actual to Expected
Florida	$36,968,000	$31,231,304	84.5%
New York	163,876,689	76,333,554	46.6
Rhode Island	91,736,196	46,024,073	50.2
South Carolina*	18,593,067	17,614,867	94.7
Texas	40,632,565	39,133,787	96.3
Wisconsin	44,453,087	41,941,244	94.3

* Fiscal-year ending 6/86 reserves, actual paid for fiscal accident years ending 6/87, 6/88, and 6/89

Exhibit 9
Cumulative Payout Pattern

Year	Florida	Kansas	New Hampshire	New York	Rhode Island	South Carolina	Texas	Virginia
Initial year	0.8%	8.1%	0.2%	0.5%	0.2%	0.8%	0.4%	5.5%
+ 1	6.7	38.1	2.3	0.9	2.7	6.9	5.3	21.1
2	21.6	71.1	10.1	2.2	7.7	23.1	19.3	34.9
3	45.5	86.1	18.9	5.1	16.0	42.1	32.0	59.0
4	66.4	97.1	32.2	10.9	26.0	66.4	47.8	81.7
5	78.7	98.5	45.0	17.2	39.8	79.9	64.9	95.5
6	89.0	99.9	54.5	24.5	52.0	84.9	74.9	98.1
7	93.0	100.0	63.2	34.3	59.4	89.0	80.8	100.0
8	96.0		69.3	43.5	66.9	92.3	83.0	
9	97.8		73.8	52.0	70.9	94.6	85.4	
10	98.9		78.0	60.4	74.7	96.2	88.3	
11	100.0		81.4	66.8	76.6	97.9	91.2	
12			83.5	71.9	80.8	98.8	94.2	
13			84.3	77.3	82.4	99.4	97.1	
14			85.8	82.9	84.6	100.0	98.5	
15			87.8	86.7	86.8		100.0	
16			90.1	89.8	89.0			
17			92.5	93.2	91.2			
18			95.0	96.3	93.4			
19			97.2	99.0	95.6			
20			99.1	100.0	97.8			
21			100.0		100.0			
Median PayoutTerm Years	3.2	1.4	5.5	8.8	5.8	3.3	4.1	2.6

Exhibit 10
Discounted Reserves

Year-End 1989	Florida	Kansas(1)	Massachusetts	New Hampshire(2)	New York(2)
Invested Assets	$75,276,045	$9,670,260	$619,741,291	$75,866,895	$812,807,972
Discounted Reserves	65,306,931	4,088,032	737,609,076	63,170,210	695,775,257
Difference	9,969,114	5,582,228	(117,867,785)	12,696,685	117,032,715

Year-End 1989	Pennsylvania(3)	Rhode Island(2)	South Carolina(1)	Texas	Virginia(2)	Wisconsin
Invested Assets	$60,942,923	$130,490,987	$41,247,389	$137,207,355	$7,381,714	$101,462,964
Discounted Reserves	52,753,554	172,951,074	33,440,702	91,839,277	5,624,781	79,741,366
Difference	8,189,369	(42,460,087)	7,806,687	45,368,078	1,756,933	21,721,598

(1) Fiscal year ending 6-30-89

(2) Invested assets include stablilization reserve fund

(3) Statutory reserve discounted at 6%

Exhibit 11
Current Invested Assets vs. Reserve Runoff

	Massachusetts		Rhode Island	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1989		$ 619,741,291		$ 130,490,987
1990	$ 124,118,046	$519,991,195	$ 26,658,183	108,968,538
1991	126,884,012	434,802,745	28,520,660	89,244,716
1992	123,534,332	346,133,129	29,487,983	66,945,372
1993	118,590,650	255,297,209	28,319,870	44,017,934
1994	108,490,546	167,277,704	25,936,897	21,626,670
1995	93,287,697	87,403,192	20,044,363	3,324,330
1996	75,767,185	18,644,443	14,461,401	$(10,869,297)
1997	60,713,119	$(40,573,669)	13,066,696	
1998	48,118,921		10,759,228	
1999	41,579,247		9,088,525	
2000	37,128,307		7,811,192	
2001	30,558,651		7,453,739	
2002	23,439,319		6,553,691	
2003	14,715,717		6,491,028	
2004	9,557,645		5,966,535	
2005	5,643,617		5,305,894	
2006	2,705,897		4,709,630	
2007	4,018,485		4,037,017	
2008	1,614,519		3,176,049	
2009			2,259,444	
2010			1,090,974	
Remaining Liability	$259,653,995		$ 98,638,940	

Exhibit 12A
Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8	-24.8	5-28-79
1980	-25.0	-25.0	5-15-80
1981	10.0	10.0	6-29-81
1982	30.4	30.4	9-9-82
1983	25.4	25.4	6-28-83
1984	77.6	77.6	6-1-84
1985	46.4	46.4	7-1-85
1986*	94.0	94.0	6-29-86
1987	20.0	10.0	7-1-87
1988	21.0	21.0	6-29-88
1989	-0.7	-0.7	4-4-89

* Dental Classes only

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6	-19.6	5-28-79
1980	-25.0	-25.0	5-15-80
1981	17.3	17.3	6-29-81
1982	29.5	29.5	9-9-82
1983	50.4	50.4	6-28-83
1984	41.4	41.4	6-1-84
1985	6.2	6.2	7-1-85
1986	NO ACTIVITY		
1987	57.0	14.0	7-1-87
1988	98.0	66.7	6-29-88
	22.0	22.0	12-30-80
1989	19.0	19.0	4-4-89

Exhibit 12B
Massachusetts Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending*
1977		7.3%	
1978		0.0	
1979		0.0	
1980		10.0	
1981		0.0	
1982		9.1	
1983	162.0%	42.0	5-18-84 Appealed
1983 Supplement	188.0	68.1	6-11-86
1984	41.6	10.9	6-11-86
1985	71.1	23.6	3-4-87
1986	10.3	8.7	3-4-87
1987	10.0	6.5	3-4-87
1988	8.6	0.0	March 1988
1989	44.0	8.6	3-1-89

* Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings for Physicians and Surgeons

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		NO ACTIVITY		
1978		NO ACTIVITY		
1979		NO ACTIVITY		
1980		45.0%	45.0%	6-24-80
1981		50.0	50.0	6-2-81
1982		70.0	70.0	6-9-82
1983		30.0	30.0	6-83
1984	Basic	5.1	5.1	6-13-84
	Excess	15.0	15.0	6-13-84
1985		NO ACTIVITY		
1986		9.3	0.0	9-86
1987		12.2	12.2	6-87
1988		8.9	8.9	6-15-88
1989		NO ACTIVITY		

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0	Disapproved	6-78
1979	104.0	Disapproved	6-79
1980	186.0	Disapproved	6-80
1981	210.0	58.5	10-81
1982	243.0	15.0	12-82
1983	180.0	83.3	1-85
1984	62.0	52.3	1-85
1985	128.0	14.0	7-86
1986	135.0	9.0	7-86
1987	115.0	9.0	7-87
1988	77.0	5.0	7-89
1989	24.0	-5.0	7-90

Exhibit 12E
Rhode Island Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		NO ACTIVITY		
1978		34.1%		No hearing
1979		9.7	9.7%	6-27-79
1980		25.3		Withdrawn
1981	Basic	7.4		
	Excess	12.7		
	Total	21.0	12.7	6-17-81
1982	Basic	41.3	23.1	6-23-82
1983	Basic	43.3	24.0	6-30-83
	Excess	24.7		
1984	Basic	44.6	11.5	6-27-84
	Excess	25.9	16.7	
1985	Basic	101.3	30.0	6-28-85
	Excess	14.8	14.8	
	Total	131.3		
1986	Total	91.4	36.1	7-1-87
1987	Basic	78.0	5.6	7-1-87
	Excess	9.3	28.9	
1988	Total	55.3	19.9	6-30-88
1989		NO ACTIVITY		

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0	133.0	7-1-78
1979		NO ACTIVITY		
1980		NO ACTIVITY		
1981	Physicians	40.0	40.0	7-1-81
1982		NO ACTIVITY		
1983	Physicians	25.0	25.0	7-1-83
	Hospital	20.0	20.0	7-1-83
1984		NO ACTIVITY		
1985	Physicians	25.0	25.0	1-1-85
	Hospital	40.0	40.0	1-1-85
1986	Physicians	25.0	25.0	1-9-86
	Hospital	45.0	45.0	1-9-86
1987		NO ACTIVITY		
1988		NO ACTIVITY		
1989		NO ACTIVITY		

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	NO ACTIVITY		
1981	50.0% (A)	Disapproved	4-16-81
1982	NO ACTIVITY		
1983	263.0 (B)	263 0	11-10-83
1984	NO ACTIVITY		
1985	50.0 (C)	50.0	5-21-85
	50.0 (D)	50.0	10-29-85
1986	156.3 (E)	104.7	8-1-86
	161.9 (F)	109.9	8-1-86
1987	29.8 (E)	29.8	9-25-87
	12.9 (F)	12.9	9-25-87
1988	11.6 (E)	-4.2	2-1-89
	58.7 (F)	19.2	2-1-89
1989	NO ACTIVITY		

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals, and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional health care providers
(F) Hospitals and other institutional health care providers

Exhibit 12H
Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6	69.6	7-1-85
1986	32.2	32.2	7-1-86
1987	9.8	9.8	7-1-87
1988	2.5	2.5	7-1-88
1989	8.0	8.0	7-1-89

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4	52.4	7-1-85
1986	51.4	51.4	7-1-86
1987	23.1	23.1	7-1-87
1988	23.8	23.8	7-1-88
1989	13.2	13.2	7-1-89

1988
EXHIBITS

Exhibit 1
1988 Market Share

State	Percent
Florida	11.5%
Kansas	8.8
Massachusetts	87.6
Minnesota	0.4
New Hampshire	63.1
New York	20.0
Pennsylvania	3.3
Rhode Island	85.1
South Carolina	55.4
Texas	8.8
Virginia	3.3
Wisconsin	38.7

Exhibit 2
Balance Sheet—Statutory

Year-End 1988	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$69,384,415	$ 9,017,915	$ 574,178,874	$ 829,486	$55,395,786	$ 728,516,851
Liabilities	69,384,415	9,017,915	1,097,970,341	1,004,625	85,662,764	1,731,174,856
Surplus	0	0	(523,791,467)	(175,139)	(30,266,978)	(1,002,658,005)

Year-End 1988	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$63,165,260	$110,391,462	$ 34,407,112	$133,065,149	$7,683,723	$ 94,072,098
Liabilities	60,219,394	277,155,329	49,045,684	133,065,149	4,972,963	111,511,396
Surplus	2,945,866	(166,763,867)	(14,638,572)	0	2,710,760	(17,439,298)

* Fiscal year ending June 1988.

Exhibit 3
Assets

Year-End 1988	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Assets	$69,384,415	$ 9,017,915	$574,178,874	$ 829,486	$55,395,786	$728,516,851
Invested	67,229,662	8,833,464	510,870,154	826,153	51,630,843	566,199,755
Bonds	46,174,250	0	476,130,379	0	45,610,757	517,194,994
Short Term	18,413,427	8,137,305	33,487,000	0	2,284,876	48,471,281
Cash	2,641,985	696,159	1,252,776	590,272	3,735,210	533,480
Other	0	0	(1)	235,881	0	0
Non-Invested	2,154,753	184,451	63,308,720	3,333	3,764,943	162,317,096
Premium Balance	1,372,743	0	50,227,369	3,333	1,416,585	152,317,782
Other	782,010	184,451	13,081,351	0	2,348,358	9,999,314
Embedded Yield	7.9%	5.3%	7.6%	7.8%	8.8%	9.2%
Bond Maturity in Years	1.6	No Bonds	9.3	No Bonds	4.6	16.7

Year-End 1988	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Assets	$63,165,260	$110,391,462	$ 34,407,112	$133,065,149	$ 7,683,723	$ 94,072,098
Invested	62,179,588	101,898,113	32,537,630	127,469,011	7,320,706	86,533,226
Bonds	56,625,380	89,395,619	31,829,318	124,039,783	4,390,136	85,505,506
Short Term	4,782,049	0	691,422	2,669,083	0	765,140
Cash	772,159	2,611,936	16,890	760,145	2,930,570	(205,420)
Other	0	9,890,558	0	0	0	468,000
Non-Invested	985,672	8,493,349	1,869,482	5,596,138	363,017	7,538,872
Premium Balance	62,571	5,759,016	23,545	1,132,640	220,499	2,707,838
Other	923,101	2,734,333	1,845,937	4,463,498	142,518	4,831,034
Embedded Yield	7.4%	8.0%	8.0%	8.1%	8.3%	7.6%
Bond Maturity in Years	6.3	4.9	2.4	2.6	2.7	4.9

* Fiscal year ending June 1988.

Exhibit 4
Cash Flow

Year-End 1988	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Income	$23,334,629	$ 3,975,077	$231,001,692	$534,927	$22,136,474	$148,636,926
Premium	19,190,946	3,508,044	188,508,194	510,548	18,609,476	100,801,994
Investment Income	4,143,683	467,033	39,062,378	24,379	3,526,998	43,860,543
Other Income	0	0	3,431,120	0	0	3,974,389
Expenditures	13,717,228	3,460,866	94,387,338	83,124	11,584,234	31,508,29[illegible]
Paid Claims	7,206,502	1,623,927	61,091,163	0	7,589,965	20,108,310
Loss Adj. Exp.	4,704,119	566,482	17,174,119	6,617	2,628,349	9,660,486
Other Expenses	1,806,607	1,270,457	16,122,056	76,507	1,365,920	1,739,503
Net Cash Flow	9,617,401	514,211	136,614,354	451,803	10,552,240	117,128,627

Year-End 1988	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Income	$13,346,363	$38,841,321	$ 14,820,109	$26,063,677	$ 3,956,400	$25,856,987
Premium	8,441,730	30,786,677	12,709,677	12,525,609	3,693,989	18,036,563
Investment Income	4,904,633	8,105,570	2,110,411	9,296,242	262,398	7,641,552
Other Income	0	(50,926)	21	4,241,826	13	178,872
Expenditures	8,724,552	16,817,538	10,177,465	21,668,734	1,117,921	16,928,884
Paid Claims	4,173,884	11,368,125	5,477,756	13,904,681	11,500	9,980,030
Loss Adj. Exp.	4,081,195	3,671,124	3,197,114	3,575,386	163,180	5,639,766
Other Expenses	469,473	1,778,289	1,492,595	4,188,667	943,241	1,309,088
Net Cash Flow	4,621,811	22,023,783	4,642,644	4,394,943	2,838,479	8,928,103

* Fiscal year ending June 1988.

Exhibit 5
Loss and LAE Reserves

Year-End 1988	Florida	Kansas*	Massachusetts	Minnesota**	New Hampshire	New York
Loss and LAE Reserves	$96,136,514	$5,347,350	$1,004,859,457	$569,916	$71,735,501	$1,631,560,917
Loss Reserves	68,944,598	3,961,000	728,073,796	569,916	55,271,271	1,242,927,470
LAE Reserves	27,191,916	1,386,350	276,785,661	0	16,464,230	388,633,447
Loss Reserves	68,944,598	3,961,000	728,073,796	569,916	55,271,271	1,242,927,470
Pending	28,224,687	3,711,000	383,024,176	261,383	8,281,361	165,996,357
IBNR	$40,719,911	$ 250,000	$ 345,049,620	$308,533	$46,989,910	$1,076,931,113
Pending Claims	Not Reported	96	4,016	4	382	1,944
Average Pending Claim		$ 38,656	$ 95,375	$ 65,346	$ 21,679	85,389

Year-End 1988	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Loss and LAE Reserves	$57,853,029	$255,894,996	$41,617,654	$108,698,836	$ 2,755,818	$ 100,271,231
Loss Reserves	43,525,092	231,518,110	29,945,802	84,086,849	2,241,582	69,040,417
LAE Reserves	14,327,937	24,376,886	11,671,852	24,611,987	514,236	31,230,814
Loss Reserves	43,525,092	231,518,110	29,945,802	84,086,849	2,241,582	69,040,417
Pending	19,383,551	54,213,469	9,059,550	29,068,318	1,642,500	16,836,816
IBNR	$24,141,541	$177,304,641	$20,886,252	$ 55,018,531	$ 599,082	$ 52,203,601
Pending Claims	629	1,143	694	719	16	939
Average Pending Claim	$ 30,816	$ 47,431	$ 13,054	$ 40,429	$ 102,656	$ 17,931

* Fiscal year ending June 1988.

** LAE Reserves included in Loss Reserves, and Pending and IBNR Loss Reserves also include LAE Reserves

Exhibit 6
Pending Claims

Calendar Year	Florida	Kansas*	Massachusetts	Minnesota	New Hampshire	New York
Prior to 1978			62		3	241
1978			50		3	101
1979			74		8	117
1980			116		14	125
1981			176		24	174
1982			304		24	195
1983			404		35	193
1984		1	522		28	134
1985		0	648		52	261
1986		9	581	2	62	240
1987		27	576	1	65	131
1988		59	503	1	64	32
Total	Not Reported	96	4,016	4	382	1,944

Calendar Year	Pennsylvania	Rhode Island	South Carolina*	Texas	Virginia	Wisconsin
Prior to 1978	2	31	5	5		14
1978	12	23	5	10		20
1979	8	19	15	12		8
1980	20	26	14	16		14
1981	45	61	9	17		39
1982	100	137	45	18		75
1983	126	181	67	26		89
1984	127	158	87	61		163
1985	138	165	128	150		122
1986	33	130	124	218		83
1987	12	109	115	149	4	123
1988	6	103	80	37	12	189
Total	629	1,143	694	719	16	939

* Fiscal year ending June 1988

Exhibit 7A
Florida Reserve Development

Inception to 12/88

Accident-Year Ending	Original Reserve	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1976	$ 6,164,771	$ 7,410,000	$ (1,245,229)
1977	9,096,805	6,601,000	2,495,805
1978	6,562,029	6,360,000	202,029
1979	7,392,625	8,466,000	(1,073,375)
1980	5,808,681	11,612,000	(5,803,319)
1981	4,190,641	12,412,000	(8,221,359)
1982	4,363,976	18,586,000	(14,222,024)
1983	11,616,665	13,778,418	(2,161,753)
1984	9,723,880	8,635,000	1,088,880
1985	4,652,588	8,526,000	(3,873,412)
1986	10,251,607	13,385,000	(3,133,393)
1987	43,212,032	35,601,000	7,611,032
Total	$123,036,300	$151,372,418	$(28,336,118)

1988 Development

Accident-Year Ending	Developed Reserve at 12/87	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1976	$ 7,295,771	$ 7,410,000	$ (114,229)
1977	6,442,805	6,601,000	(158,195)
1978	6,184,771	6,360,000	(175,229)
1979	8,289,452	8,466,000	(176,548)
1980	11,033,881	11,612,000	(578,119)
1981	11,871,641	12,412,000	(540,359)
1982	18,149,984	18,586,000	(436,016)
1983	12,178,665	13,778,418	(1,599,753)
1984	8,566,710	8,635,000	(68,290)
1985	7,703,729	8,526,000	(822,271)
1986	13,123,607	13,385,000	(261,393)
1987	43,212,032	35,601,000	7,611,032
Total	$154,053,048	$151,372,418	$ 2,680,630

Exhibit 7B
Kansas Reserve Development

Inception to 6/88

Accident-Year Ending	Original Reserve	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1977	$ 231,980	$ 16,044	$ 215,936
1978	583,730	321,704	262,026
1979	861,487	459,923	401,564
1980	815,528	1,040,462	(224,934)
1981	706,474	911,826	(205,352)
1982	1,711,846	1,754,434	(42,588)
1983	2,258,250	1,914,371	343,879
1984	3,206,250	2,557,129	649,121
1985	3,727,950	2,318,880	1,409,070
1987	3,854,250	2,837,801	1,016,449
Total	$20,240,445	$16,005,708	$4,234,737

1988 Development

Accident-Year Ending	Developed Reserve at 12/87	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1977	$ 16,044	$ 16,044	$ 0
1978	321,704	321,704	0
1979	459,923	459,923	0
1980	1,040,462	1,040,462	0
1981	911,826	911,826	0
1982	1,846,307	1,754,434	91,873
1983	1,882,045	1,914,371	(32,326)
1984	2,366,016	2,557,129	(191,113)
1985	2,397,360	2,318,880	78,480
1986	2,783,816	1,873,134	910,682
1987	3,854,250	2,837,801	1,016,449
Total	$17,879,753	$16,005,708	$1,874,045

Exhibit 7C
Massachusetts Reserve Development

Inception to 12/88

Accident-Year Ending	Original Reserve	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1976	$ 22,714,254	$ 26,714,782	$ (4,000,528)
1977	32,182,009	32,863,278	(681,269)
1978	34,272,781	45,175,814	(10,903,033)
1979	37,671,959	58,777,580	(21,105,621)
1980	35,304,820	76,305,310	(41,000,490)
1981	48,682,760	91,619,660	(42,936,900)
1982	48,335,515	107,711,979	(59,376,464)
1983	182,544,791	124,105,406	58,439,385
1984	221,491,220	139,093,619	82,397,601
1985	223,626,369	158,581,501	65,044,868
1986	213,581,392	172,795,021	40,786,371
1987	273,112,368	177,443,117	95,669,251
Total	$1,563,494,448	$1,401,161,277	$162,333,171

Exhibit 7D
New York Reserve Development

Inception to 12/88

Accident-Year Ending	Original Reserve	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1975	$ 8,084,387	$ 25,559,735	$(17,475,348)
1976	44,007,000	64,869,695	(20,862,695)
1977	13,614,000	49,458,709	(35,844,709)
1978	23,668,000	42,731,104	(19,063,104)
1979	40,633,000	49,344,398	(8,711,398)
1980	42,346,997	45,007,896	(2,660,899)
1981	49,079,674	48,897,121	182,553
1982	65,175,744	39,747,665	25,428,079
1983	56,309,053	46,357,117	9,951,936
1984	30,476,829	27,467,936	3,008,893
1985	127,759,152	118,296,350	9,462,802
1986	410,452,381	333,956,308	76,496,073
1987	442,642,079	438,752,070	3,890,009
Total	$1,354,248,296	$1,330,446,104	$23,802,192

1988 Development

Accident-Year Ending	Developed Reserve at 12/87	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1975	$ 27,272,121	$ 25,559,735	$ 1,712,386
1976	64,132,882	64,869,695	(736,813)
1977	52,341,036	49,458,709	2,882,327
1978	48,201,405	42,731,104	5,470,301
1979	60,137,757	49,344,398	10,793,359
1980	60,442,547	45,007,896	15,434,651
1981	70,756,240	48,897,121	21,859,119
1982	56,254,400	39,747,665	16,506,735
1983	62,051,536	46,357,117	15,694,419
1984	36,563,531	27,467,936	9,095,595
1985	126,378,385	118,296,350	8,082,035
1986	346,009,453	333,956,308	12,053,145
1987	442,642,079	438,752,070	3,890,009
Total	$1,453,183,372	$1,330,446,104	$118,847,259

Exhibit 7E
Rhode Island Reserve Development

Inception to 12/88

Accident-Year Ending	Original Reserve	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 10,128,614	$ 18,857,045	$(8,728,431)
1981	11,979,104	17,325,608	(5,346,504)
1982	18,373,088	27,405,305	(9,032,217)
1983	23,186,372	23,973,118	(786,746)
1984	35,545,996	23,138,499	12,407,497
1985	49,424,676	31,285,381	18,139,295
1986	55,717,802	40,098,283	15,619,519
1987	58,779,671	53,906,821	4,872,850
Total	$263,135,323	$235,990,060	$27,145,263

1988 Development

Accident-Year Ending	Developed Reserve at 12/87	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1976		Not Available	
1977		Not Available	
1978		Not Available	
1979		Not Available	
1980	$ 18,394,769	$ 18,857,045	$ (462,276)
1981	17,562,720	17,325,608	237,112
1982	27,270,951	27,405,305	(134,354)
1983	25,378,915	23,973,118	1,405,797
1984	26,766,822	23,138,499	3,628,323
1985	37,957,859	31,285,381	6,672,478
1986	46,424,124	40,098,283	6,325,841
1987	58,779,671	53,906,821	4,872,850
Total	$258,535,831	$235,990,060	$22,545,771

Exhibit 7F
South Carolina Reserve Development

Inception to 12/88

Accident-Year Ending	Original Reserve	Developed Reserve at 12/88	Reserve Redundency/ (Deficiency)
1976	$ 2,126,101	$ 2,619,662	$ (493,561)
1977	Not Available	2,078,664	
1978	Not Available	4,180,987	
1979	Not Available	3,509,771	
1980	3,737,827	4,897,801	(1,159,974)
1981	3,842,800	4,802,609	(959,809)
1982	3,869,282	5,795,267	(1,925,985)
1983	4,416,289	7,791,537	(3,375,248)
1984	5,021,646	7,959,234	(2,937,588)
1985	9,780,856	7,984,509	1,796,347
1986	11,369,569	10,440,321	929,248
1987	11,879,608	9,752,243	2,127,365
1988	13,527,519	10,791,035	2,736,484
Total	$69,571,497	$72,834,218	$(3,262,721)

Exhibit 7G
Texas Reserve Development

Accident-Year Ending	Inception to 12/88 Original Reserve	Inception to 12/88 Developed Reserve at 12/88	Inception to 12/88 Reserve Redundency/ (Deficiency)	1988 Development Original Reserve	1988 Development Developed Reserve at 12/88	1988 Development Reserve Redundency/ (Deficiency)
1976	$5,767,277	$5,221,059	$546,218	$ 5,221,059	$ 5,221,059	$ 0
1977	9,211,976	9,089,105	122,871	9,089,105	9,089,105	0
1978	8,819,748	9,241,901	(422,153)	9,241,901	9,241,901	0
1979	6,451,681	10,668,289	(4,216,608)	10,668,289	10,668,289	0
1980	3,728,214	10,978,531	(7,250,317)	10,978,531	10,978,531	0
1981	3,380,338	10,340,848	(6,960,510)	10,340,848	10,340,848	0
1982	3,342,294	8,862,144	(5,519,850)	8,862,144	8,862,144	0
1983	3,944,716	8,439,720	(4,495,004)	8,439,720	8,439,720	0
1984	8,628,249	12,161,219	(3,532,970)	11,149,623	12,161,219	(1,011,596)
1985	23,864,797	27,092,461	(3,227,664)	23,864,797	27,092,461	(3,227,664)
1986	33,923,405	33,923,405	0	33,923,405	33,923,405	0
1987	24,392,395	24,392,395	0	24,392,395	24,392,395	0
Total	$135,455,090	$170,411,077	$(34,955,987)	$166,171,817	$170,411,077	$(4,239,260)

Exhibit 8
Actual Paid in 1986, 1987, 1988 for accident years 1985 and prior compared to expected paid based on 1985 reserves

State	Expected	Actual	Actual to Expected Percent
Florida	$31,977,000	$28,614,234	89.5%
Massachusetts	280,380,277	198,809,370	70.9
New Hampshire	22,127,869	25,849,403	116.8
New York	175,555,000	73,198,744	41.7
Rhode Island	69,103,646	33,691,442	48.8
South Carolina*	13,273,490	12,206,430	92.0
Texas	29,985,756	34,317,356	114.4
Wisconsin	42,217,667	39,364,885	93.2

* Fiscal-year ending 6/86 reserves, actual paid during fiscal accident years ending 6/87 and 6/88

Exhibit 9
Cumulative Payout Pattern

Year	Florida	Kansas	New Hampshire	New York	Rhode Island	South Carolina	Texas	Virginia
Initial year	0.8%	8.5%	0.2%	0.4%	0.1%	0.8%	0.5%	0.3%
+ 1	6.6	38.4	2.3	0.8	2.7	6.7	4.2	5.3
2	22.2	69.5	10.1	2.0	7.6	22.8	15.7	25.2
3	46.3	84.2	18.9	5.0	16.7	41.0	28.2	60.1
4	67.7	96.4	32.2	11.5	27.5	66.4	42.5	80.1
5	78.8	98.1	45.0	18.9	43.1	81.6	57.4	95.0
6	88.4	99.8	54.5	26.3	54.2	87.2	68.4	100.0
7	92.3	100.0	63.2	35.3	65.3	90.4	74.5	
8	95.2		69.3	43.7	70.9	93.9	78.0	
9	97.5		73.8	49.9	74.5	96.2	80.7	
10	98.8		78.0	56.5	77.9	98.1	84.0	
11	100.0		81.4	62.3	80.7	100.0	87.9	
12			83.5	67.0	84.7		91.8	
13			84.3	72.4	87.0		95.9	
14			85.8	77.9	89.2		97.9	
15			87.8	81.5	91.4		100.0	
16			90.1	85.2	93.5			
17			92.3	89.2	95.7			
18			95.0	93.3	97.8			
19			97.2	97.1	100.0			
20			99.1	100.0				
21			100.0					
Median PayoutTerm Years	3.2	1.4	5.5	9.0	5.6	3.4	4.5	2.7

Exhibit 10
Discounted Reserves

Year-End 1988	Florida	Kansas(1)	Massachusetts	New Hampshire	New York
Invested Assets	$67,229,662	$8,833,464	$510,870,154	$51,630,843	$566,199,755
Discounted Reserves	77,749,620	4,699,578	696,225,886	46,760,123	790,038,051
Difference	(10,519,958)	4,133,886	(185,355,732)	4,870,720	(223,838,296)

Year-End 1988	Pennsylvania(3)	Rhode Island(2)	South Carolina(1)	Texas	Virginia(2)	Wisconsin
Invested Assets	$62,179,588	$112,005,943	$32,537,630	127,469,011	$7,320,706	$86,533,226
Discounted Reserves	57,853,029	178,113,288	31,667,924	85,182,576	2,217,135	74,490,522
Difference	4,326,559	(66,107,345)	869,706	42,286,435	5,103,571	12,042,704

(1) Fiscal year ending 6-30-88

(2) Invested assets include stabilization reserve fund

(3) Statutory reserve discounted at 6%

Exhibit 11
Current Invested Assets vs. Reserve Runoff

	Florida		Massachusetts	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1988	$ 67,229,662	$510,870,154		$510,870,154
1989	18,962,000	50,882,600	$ 95,133,679	431,337,850
1990	21,110,000	33,807,797	94,698,030	358,544,654
1991	18,166,000	18,322,893	92,460,320	274,809,579
1992	13,320,000	6,455,973	85,062,515	185,735,629
1993	8,007,000	(1,039,042)	74,403,176	96,283,340
1994	5,758,,000		61,459,875	11,476,263
1995	3,888,000		49,339,253	(76,296,145)
1996	2,854,000		36,714,870	
1997	2,199,000		27,656,622	
1998	1,275,000		21,476,651	
1999	566,000		17,653,322	
2000			14,139,969	
2001			9,511,599	
2002			6,300,171	
2003			4,245,259	
2004			2,444,356	
2005			1,523,116	
2006			1,010,971	
2007			992,131	
2008				
Remaining Liability	$17,579,042		$969,255,886	

Exhibit 11
Current Invested Assets vs. Reserve Runoff

	New York		Rhode Island	
Year	Estimated Paid	Invested Assets	Estimated Paid	Invested Assets
1988		$566,199,755		$112,005,943
1989	$ 63,675,000	528,001,785	$ 27,847,952	88,527,562
1990	78,562,000	498,025,331	29,460,631	66,108,929
1991	99,697,000	444,155,510	32,248,356	39,119,263
1992	118,081,000	366,944,709	31,748,061	10,482,977
1993	106,918,000	293,792,142	28,957,102	(17,640,248)
1994	93,286,000	227,540,240	21,799,893	
1995	77,619,000	170,858,985	16,979,410	
1996	75,101,000	111,480,047	10,961,731	
1997	75,774,000	45,964,193	9,441,931	
1998	75,870,000	(25,676,285)	8,191,663	
1999	74,362,000		7,261,117	
2000	71,922,000		6,260,816	
2001	71,660,000		5,382,685	
2002	76,936,000		4,760,973	
2003	83,707,000		4,174,751	
2004	91,448,000		3,694,216	
2005	97,896,000		3,105,652	
2006	93,554,000		2,323,305	
2007	69,228,000		1,294,753	
2008	36,265,000			
Remaining Liability	$792,654,285		$123,273,143	

Exhibit 12A
Florida Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977			
1978	20.9%	20.9%	7-9-78
1979	-24.8	-24.8	5-28-79
1980	-25.0	-25.0	5-15-80
1981	10.0	10.0	6-29-81
1982	30.4	30.4	9-9-82
1983	25.4	25.4	6-28-83
1984	77.6	77.6	6-1-84
1985	46.4	46.4	7-1-85
1986*	94.0	94.0	6-29-86
1987	20.0	10.0	7-1-87
1988	21.0	21.0	6-29-88

* Dental Classes only

Florida Rate Filings for Hospitals and Other Facilities

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	-8.6%	-8.6%	7-9-78
1979	-19.6	-19.6	5-28-79
1980	-25.0	-25.0	5-15-80
1981	17.3	17.3	6-29-81
1982	29.5	29.5	9-9-82
1983	50.4	50.4	6-28-83
1984	41.4	41.4	6-1-84
1985	6.2	6.2	7-1-85
1986	NO ACTIVITY		
1987	57.0	14.0	7-1-87
1988	80.0	66.7	6-29-88

Exhibit 12B
Massachusetts Rate Filings for Physicians and Surgeons

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending*
1977		7.3%	
1978		0.0	
1979		0.0	
1980		10.0	
1981		0.0	
1982		9.1	
1983	162.0%	42.0	5-18-84 Appealed
1983 Supplement	188.0	68.1	6-11-86
1984	41.6	10.9	6-11-86
1985	71.1	23.6	3-4-87
1986	10.3	8.7	3-4-87
1987	10.0	6.5	3-4-87
1988	8.6	0.0	3-88

* Amount requested and final decision date not reported for 1977-1982

Exhibit 12C
New Hampshire Rate Filings for Physicians and Surgeons

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		NO ACTIVITY		
1978		NO ACTIVITY		
1979		NO ACTIVITY		
1980		45.0%	45.0%	6-24-80
1981		50.0	50.0	6-2-81
1982		70.0	70.0	6-9-82
1983		30.0	30.0	6-83
1984	Basic	5.1	5.1	6-13-84
	Excess	15.0	15.0	6-13-84
1985		NO ACTIVITY		
1986		9.3	0.0	9-86
1987		12.2	12.2	6-87
1988		8.9	8.9	6-15-88

Exhibit 12D
New York Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	90.0%	15.5%	6-77
1978	98.0	Disapproved	6-78
1979	104.0	Disapproved	6-79
1980	186.0	Disapproved	6-80
1981	210.0	58.5	10-81
1982	243.0	15.0	12-82
1983	180.0	83.3	1-85
1984	62.0	52.3	1-85
1985	128.0	14.0	7-86
1986	135.0	9.0	7-86
1987	115.0	9.0	7-87
1988	77.0	5.0	Pending

Exhibit 12E
Rhode Island Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977		NO ACTIVITY		
1978		34.1%		No hearing
1979		9.7	9.7%	6-27-79
1980		25.3		Withdrawn
1981	Basic	7.4		
	Excess	12.7		
	Total	21.0	12.7	6-17-81
1982	Basic	41.3	23.1	6-23-82
1983	Basic	43.3	24.0	6-30-83
	Excess	24.7		
1984	Basic	44.6	11.5	6-27-84
	Excess	25.9	16.7	
1985	Basic	101.3	30.0	6-28-85
	Excess	14.8	14.8	
1986	Total	91.4	36.1	7-1-87
1987	Basic	78.0	5.6	7-1-87
	Excess	9.3	28.9	
1988	Total	55.3	19.9	6-30-88

Exhibit 12F
South Carolina Rate Filings

Year		Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	Physicians	50.0%	50.0%	7-1-77
1978	Hospital	133.0	133.0	7-1-78
1979		NO ACTIVITY		
1980		NO ACTIVITY		
1981	Physicians	40.0	40.0	7-1-81
1982		NO ACTIVITY		
1983	Physicians	25.0	25.0	7-1-83
	Hospital	20.0	20.0	7-1-83
1984		NO ACTIVITY		
1985	Physicians	25.0	25.0	1-1-85
	Hospital	40.0	40.0	1-1-85
1986	Physicians	25.0	25.0	1-9-86
	Hospital	45.0	45.0	1-9-86
1987		NO ACTIVITY		
1988		NO ACTIVITY		

Exhibit 12G
Texas Rate Filings

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1977	NO ACTIVITY		
1978	NO ACTIVITY		
1979	NO ACTIVITY		
1980	NO ACTIVITY		
1981	50.0% (A)	Disapproved	4-16-81
1982	NO ACTIVITY		
1983	263.0 (B)	263.0	11-10-83
1984	NO ACTIVITY		
1985	50.0 (C)	50.0	5-21-85
	50.0 (D)	50.0	10-29-85
1986	156.3 (E)	104.7	8-1-86
	161.9 (F)	109.9	8-1-86
1987	29.8 (E)	29.8	9-25-87
	12.9 (F)	12.9	9-25-87
1988	11.6 (E)	-4.2	2-1-89
	58.7 (F)	19.2	2-1-89

(A) Hospital
(B) Dentists and oral surgeons
(C) Physicians, surgeons, hospitals and other institutions
(D) Podiatrists
(E) Physicians and other non-institutional health care providers
(F) Hospitals and other institutional health care providers

Exhibit 12H
Wisconsin Rate Filings for Physicians

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	51.5%	35.0%	7-1-84
1985	69.6	69.6	7-1-85
1986	32.2	32.2	7-1-86
1987	9.8	9.8	7-1-87
1988	2.5	2.5	7-1-88

Wisconsin Rate Filings for Hospitals

Year	Percent Asked For	Percent Approved	Date Approved, Disapproved, or Pending
1984	67.2%	49.0%	7-1-84
1985	52.4	52.4	7-1-85
1986	51.4	51.4	7-1-86
1987	23.1	23.1	7-1-87
1988	23.8	23.8	7-1-88

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R-00015-0191